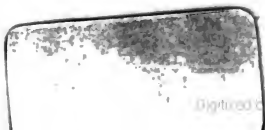


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CO-OPERATIVE STORES

THEIR

HISTORY, ORGANIZATION, AND MANAGEMENT

Based on the recent German work of

EUGENE RICHTER

With annotations and amendments rendering the work

SPECIALLY ADAPTED FOR USE IN
THE UNITED STATES



NEW YORK
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CO-OPERATIVE STORES.

CHAPTER I.

HISTORY OF CO-OPERATIVE STORES IN ENGLAND.

ON a gloomy November day, in the year 1843, under a cold rain, there assembled in the back room of a mean inn at Rochdale—one of the centres of woollen manufacture in North Lancashire, England—a dozen poor weavers, to consult together concerning ways and means for raising themselves out of their wretched poverty into a comfortable existence. As is usual in such cases, a good deal was said on one topic and another without reaching any result. One speaker was of opinion that they ought to seek through political agitation for the universal right of suffrage. If they could but have representatives of their own class in parliament, it would be easy to obtain help through them. To most of them this seemed an excellent proposition. But one man rose and said, “that little could be hoped from political agitation: even if they should succeed, by means of universal suffrage, in being represented in parliament, there was a greater question than whether parliament *would* help them—namely, whether it *could* help them. For the government was even worse in debt than they themselves. It could give nothing to the citizen except what it had received from him, either in the form of taxes or otherwise. They must not look for aid to parliament, sitting away off in London, but seek it at home, in their own employers. These men must pay them higher wages;

and if they refused, they must be forced to it by strikes." This speech pleased the younger part of the company particularly. But an old weaver answered, "that he had already gone through enough strikes; they were gotten up often, but nothing ever came of them. The matter stood this way, as it seemed to him: If, at a certain time, or in a particular district, the wages seem disproportionately low, it is seldom to be laid to ill-will on the part of the employers, but is because these employers can obtain but a low price for the products of the labor which they employ. So that, before they can agree to pay higher wages in the face of this low selling-price, they have to reckon whether there will remain sufficient proceeds to remunerate them for their own time and care, and for the capital embarked in the enterprise, estimated at the market rate of interest. If, now, the reckoning shows a loss, the employer has no alternative, instead of agreeing to pay higher wages, but to close his business and employ his capital otherwise; for instance, by a safer investment in the public funds. In which case, the quondam employer is relieved of all labor, except the snipping off of his semi-annual coupons, while the workmen, mean time, are without bread. In order to live, these latter would find themselves forced to underbid their comrades, employed elsewhere, to such an extent that wages would on all sides fall to a lower mark than they had held before the strike."

While they sat helplessly casting about for some better project, one of their number, who had gained considerable experience of the world, and had become acquainted with men whose attention had been given to this subject, spoke in this way: "If we cannot get higher wages, the only thing to be done is to make what we do get *go further*. If we cannot increase our income, let us manage our out-go more economically. It may be that, with what we thus save, we may commence an undertaking which shall give us an income in addition to our wages. No doubt each one by himself can do but little; yet what if we set back to back, and join hands, as to-day we have joined speech, for the improvement of our condition? 'What is impossible for one man is easy for three,' is a truth that is as old as the world. Only look around in the world to-day! Here are railroads built, canals dug, under-

takings of every sort commenced, which would be hopeless for a single individual's strength, but which are easy enough for many united. I know very well that none of us now is rich enough to buy up railroad stock. But need we begin at once with building railroads? Could we not commence with small things, were it nothing more than the furnishing of the most indispensable necessities of life? Our savings might even now be sufficient for that, if we put them into the pot together!"

Not all could see what this would lead to; but having no other proposition, and knowing the speaker for an honorable man, they agreed to his plan. There was, at least, no possibility of their losing any thing in the business.

They immediately proceeded to work, and that same evening a paper was drawn up, on which twelve men set their names to an agreement to pay twenty pence a week into a common stock. Only a few out of the twelve were able to pay that sum the same evening, but they proudly named this novel association, "The Rochdale Society of Equitable Pioneers." Our weavers assumed this name of "Pioneers," as significant of their purpose to break, through the tangled thicket of distress and want which encompassed them, a new path for their brethren of the working class, along which their feet might find the way to a better condition of life. They at once issued a programme for the new Society, which read substantially thus:

"The object of this Society is to devise such expedients as shall bring pecuniary profit to its members, and at the same time result to their advantage as individuals, and as members of the Society. In pursuance of this object, the Society levies contributions from its members, with which to carry out the following designs:

"1. The erection of a store for provisions, groceries, and clothing-materials; 2. The building, or otherwise obtaining, of a number of houses, in which such members may dwell as shall find it easier or pleasanter to dwell together; 3. The adoption of rules, agreed upon by the Society, for the assistance of such members as are out of employment, either on account of an unjust lowering of their wages, or from any other cause; 4. The renting or possession of a farm, or several farms; likewise for the purpose of furnishing employment to such mem-

bers as are out of work ; 5. The Society will use every endeavor to increase and to profitably employ its capital, to educate the children, and, above all, to advance the power and prosperity of the community."

Any one comparing these great ends with the small means which our few Pioneers had at their command, could not but be impressed with the seemingly romantic audacity of their undertaking ; but let him wait and see what comes of it, after only a year's trial !

In the evening of the 21st of December, 1844, we find our Pioneers again assembled. Their number is now increased from twelve to twenty-eight, who have gathered with their wives and children at a grain-store in Toad-lane, Rochdale. A sort of expectant enthusiasm which pervades the little assembly, shows that something of great importance is going forward. To them it is indeed an important matter. In the course of a year the Pioneers have got together, by great effort, a capital of £28 (\$135). They have rented the building, where they are assembled, for a store, which is now to be opened for the sale of provisions, clothing, &c. A portion of their capital has gone for paying the rent of the building in advance, on which terms alone the owner would let them have it.

After fitting it up in the plainest possible manner, they have remaining only a little more than £15 (about \$75),—merely sufficient for the purchase of a small stock of flour, butter, and sugar.

This evening the store is to be opened for trade, and the assemblage stays till the signal is given by throwing open the window-shutters. For this there was a particular reason : in some way the news had got out among the retail dealers of the town, that on this, the shortest day in the year, their new competitors, the united weavers, were to commence business ; and many curious eyes were on the watch in Toad-lane, to see what would happen.

A group of shopkeepers had collected before the door, and about them stood the "Doffers," the street-boys of Rochdale, always ready to hoot and jeer at any mark which might present itself. They were even now making derisive propositions to bring a wheelbarrow and wheel away the entire trumpery of

these Bedlamite weavers ! But men who had set such ends before them as our Pioneers had, were not to be turned aside by any hooting of street-boys. They quietly went ahead, and opened their trade unmolested.

And now, after twenty-two years, what has resulted from the supposed crack-brained enterprise of those few weavers ? All over England, France, and Germany, the Rochdale Pioneers are famous as the men who, true to their name and their programme, have given the world a splendid example of the great results which even the humblest laborers may bring about without any external aid, merely by co-operation, if only they are animated by the right spirit, and hold fast together. The consequences which have followed from the undertaking of that handful of poor flannel-weavers certainly deserve the world's attention. In 1865 this "Rochdale Society of Equitable Pioneers" had increased to 5,326 members, and during the first quarter of 1866 its sales amounted to £52,870 (\$255,890) ; on which the profit was £6,516 (\$31,540), or 11 $\frac{3}{4}$ per cent. The stock of the members in the Society amounted to £78,610 (\$379,472), or about £15 (\$72.60) each.

Edward Pfeiffer, in his work on Co-operative Societies, gives a statement of this Society's condition in 1862, as follows :

In Toad-lane, which is the centre of the Society's operations, and where the Office and Library are, stands a large, roomy building, among others which contain the goods belonging to the Company, whose exterior only attracts the notice of the passers-by from the fact that, instead of the customary show-windows, there appears simply the inscription, "Store of the Society of Equitable Pioneers."* This store contains a full

* Let us glance at the manner of doing business at the co-operative store. The shop is open all day, but is most frequented in the evening, being generally crowded on the Saturday night. As every thing has to be paid for in ready-money, all purchasers must, of course, bring their cash with them. Whatever be the amount a customer lays out, he or she receives a tin ticket, on which is stamped the sum paid—such tickets being vouchers for the receipt of the money. The buyer preserves these tickets until the expiration of the current quarter, when he brings them to the store, and for whatever amount of them he can produce, he is entitled to a proportionate share of the profits of the concern during the quarter. The whole of his purchases in the time may amount, perhaps, to five or six pounds : if the profits averaged ten per cent., he would be entitled to ten or twelve shillings ; and he might either receive the money in cash, or have the same transferred to his account credit in his pass-book, in which case it would go to increase

assortment of all needed articles, and has no fewer than eight branch establishments scattered through the town, which together have a yearly sale of more than £120,120 (\$581,380).

A rich assortment of every kind of goods invites those disposed to buy. From crinoline to artificial flowers, from carpets to calico, all manner of goods, selected with the utmost care, are piled up; but here, as in all the Society's stores, nothing is displayed in the windows, to be ruined by dust and sun. Their customers are to be gained by no trickery or huckstering devices. Three shoe-stores exhibit a complete stock of boots, shoes, clogs, &c., and in the last year did a business amounting to over £3,000 (\$14,520).

A clothing-store offers to every one the most modern fashions of garments, all made of good, solid stuff. Nothing is selected for its mere cheapness, but every article is of genuine, reliable material.

In the five butcher-shops belonging to the Society, there were bought and disposed of during the year 1861 the following amount of cattle :

447	Beeves,	from which were sold	292,449	lbs. meat.
1013	Sheep,	" " "	76,093	"
674	Hogs,	" " "	150,884	"
324	Lambs,	" " "	12,592½	"
95	Calves,	" " "	7,897	"

in all, 2,553 head of cattle, or 539,861½ lbs. meat.

Finally, there is also a room belonging to the Society, which is open to all its members the whole afternoon, where they have all the most readable English newspapers, and chess and checker boards for such as like to play. Near by stands the Library, with its treasures of more than 5,000 well-selected volumes.

All this is owned by the Society, and is free to each of the Pioneers and to his family. Two and a half per cent. of the profits are annually devoted to educational purposes. Last year, for example, this amounted to about £300 (\$1,450), which was expended for newspapers, microscopes, globes,

the deposits on which he receives interest. The shop being open to the public, and the tin tickets being issued to all customers alike, non-members are in the habit of disposing of them to members, who are credited for their value on producing them.—*People's Magazine, February, 1867.*

and other educational apparatus, and the increase of the library.*

How the Pioneers have worked up to this condition in the course of twenty years, is shown by the annexed table. The amounts are given in English money.†

YEAR.	NO. OF MEMBERS.	AMOUNT OF PROPERTY.			AMOUNT OF SALES.			PROFITS.		
		£	s.	D.	£	s.	D.	£	s.	D.
1844	28	28								
45	74	181	12	5	710	6	5	32	17	6
46	80	252	7	1	1,146	17	1	80	16	6
47	110	286	15	4	1,924	13	10	72	2	10
48	140	397			2,276	6	5½	117	16	10½
49	390	1,193	19	1	6,611	18	—	561	3	9
50	600	2,299	10	5	13,179	17	—	889	12	5
51	630	2,785	—	1½	17,638	4	—	990	19	8½
52	680	3,471	—	6	16,352	5	—	1,206	15	2½
53	720	5,848	3	11	22,760	—	—	1,674	18	11½
54	900	7,172	15	7	33,364	—	—	1,763	11	2½
55	1,400	11,032	12	10½	44,902	12	—	3,166	8	4
56	1,600	12,920	13	1½	63,197	10	—	3,921	13	1½
57	1,850	15,142	1	2	79,788	—	—	5,470	6	8½
58	1,950	18,160	5	4	71,689	—	—	6,284	17	4½
59	2,703	27,060	14	2	104,012	—	—	10,739	18	6½
60	3,450	37,710	9	—	152,063	—	—	15,906	9	11
61	3,900	42,961	14	1	176,206	14	8	18,413	11	7
62	3,501	38,436	12	3	154,168	12	8	17,228	9	10
63	4,013	49,316	6	7	158,632	5	11	19,670	4	9
†64	4,580	55,840	—	—	174,206	8	4	22,163	9	9
Total.....					1,294,830	11	4½	130,300	14	10½

* The Pioneers further like to be charitable and helpful to those who need their aid; and it is a common thing at the quarterly meetings for the members to vote, out of their own pockets, a handsome subscription to some useful public institution in need of funds, or to some co-operative society that has suffered loss.

† 1 £ = \$4.84. 1 s. = 24½ cents. 1 d. = 2½/100 cents.

‡ A few items from the Eighty-eighth Quarterly Report of the Equitable Pioneers, bringing up the accounts of the Society to the 18th of December, 1866, from the quarter preceding, will further show the large proportions which this tree of small beginnings has assumed, and how, by time, care, attention, a good

With this great co-operative store, however, the Pioneers did not rest contented. Though not under the same name, the same individuals established, in 1851, the Rochdale Corn-Mill Society, which in 1864 was running fifteen stones, with a capital of over £49,000 (\$237,160), and a business of £141,741 (\$686,026.44). During 1865, the co-operative steam corn-mill, with a capital of over £58,000, had a business of £148,533, with a profit of £12,511.

Yet more! In 1855 the Pioneers established a cotton-factory which employs three hundred hands and two hundred and fifty looms. The capital (of over £68,000), during 1863 and 1864, gave no dividend, in consequence of the cotton-panic, but the looms were never wholly stopped, working at least half the time.* Since the year 1863 a building association also has arisen employing a capital of over £52,500, which furnishes its members with good houses at a reasonable cost. A life insurance and burial society has a capital of over £15,760. So that the entire working-capital, which has arisen from the original £28, now amounts to more than £215,000, or over \$1,000,000.

It could not fail to happen that the results of the Rochdale Pioneers soon became known in the neighborhood, and thence spread through constantly wider circles. Everywhere men emulated their example, till a network of similar societies spread, one after another, all over England. The greater number of them are co-operative stores, some having in addition flour-mills and factories. All of them are prosperous, and steadily increasing.

soil, and the sunshine of favor, the little acorn has grown into a goodly tree. The committee reports that the affairs of the Society are in a prosperous condition; that the number of members steadily increases; that the total names on the roll at the close of the quarter were 6,246; that the amount of cash received for goods sold during the quarter was £68,216 18s. 3½d., being an increase on the corresponding quarter of the year 1865 of £13,042 8s. 0½d.; that the profits for the quarter were £9,281 16s. 9d.; that after the usual deductions for educational and other purposes, there would be left a balance allowing a dividend of 2s. 5d. for every one-pound cheque (or tin ticket) brought in—upwards of twelve per cent.; and that the gross profits for the year were £31,934 3s. 9½d. These are magnificent profits, and prove not only the abundant gains of ordinary shopkeepers, but the immense advantage to poor people, such as the Pioneers are as individuals (though they may be rich as a body), in diverting such gains into their own pockets. The principle of co-operation needs no more signal example to prove its value.—*Blackwood's Magazine*, March, 1867.

* At the present time their capital is about £91,000, and they received cash for goods during the year 1865 to the amount of £133,895.

Prof. Huber, who has travelled throughout England and given much study to these organizations, estimates their present number at one thousand. The number of members of co-operative stores amounts to over 200,000, with a working capital of over $1\frac{1}{2}$ million pounds, and an annual business of about $4\frac{1}{2}$ million pounds.

From an official report which was laid before the British Parliament, it appears, that in 1863 there were already 460 such associations at work in England, whose membership amounted to nearly 109,000. Their sales were over £9,000,000, their own property was £600,000, while the profits, shared among the members, for the year 1863, amounted to more than £200,000. In 1865 the eight societies alone of Rochdale, Bacup, Halifax, Oldham, Bury, and Manchester numbered 24,414 members, with a property of over £200,000 and a business of over £700,000.

Of the whole 460 societies only about an eighth part were commenced before the year 1860, and scarcely 30 before the year 1856, while the great majority of them have had to struggle with the inevitable difficulties of starting. Considering these facts, it may be deemed certain that in a short time their business and property will have increased many fold.

In 1861 the members of these associations had already established and brought into partial operation three large factories. Their capital exceeded £1,000,000, of which about £600,000 was invested by shareholders; the remainder was raised from bonds and mortgages.

The co-operative store association of the north of England have created a central association, for the purchase and sale of merchandise at wholesale. This is managed by the Rochdale Pioneers, and in 1865 disposed of goods to the amount of £142,000 to 165 co-operative stores (£55,000 more than in 1864).

This method of association has at last found its way even into the English colonies, where it is applied in the cultivation of the very cotton which is woven in the co-operative factories at home.

CHAPTER II.

THE NATURE AND OBJECT OF THE CO-OPERATIVE STORES IN ENGLAND.

THE results of the co-operative societies in England are as comprehensive as their rules are simple. The societies have a public store, where goods are sold even to those who are not members. The condition of membership is the payment of a few pence. At certain intervals, further payments of a few pence are required from the new member (in most cases $2\frac{1}{2}$ pence a week, or 10 pence a month), until their aggregate, together with the interest and dividends placed to his credit, amount to the prescribed minimum share in the undertaking. The sum in Rochdale was at first £4 (\$19.36), afterwards £5 (\$24.30); in Manchester, however, only £1 (\$4.84). Each member has the privilege of letting his share increase to £100 (\$484); although, in case of an excess of capital, the society can diminish the amount. Each member can, after previous notice, demand that his share, over and above the minimum share, be paid back to him, after an interval varying according to the amount; the minimum share itself, however, is not paid back to the member when he resigns, but may, with the approval of the society, be carried over to the credit of another, who thus becomes himself a member.

A distribution of the net profits is made quarterly. After an interest at the rate of five per cent. per annum has been deducted from the shares of the members, and $2\frac{1}{2}$ per cent. of the profits have been applied to the educational fund mentioned in the last chapter, the balance is placed to the credit of the members, in proportion to the purchases that each has made at the store during the preceding three months. The members are liable for no losses beyond the value of their respective shares. This right of allotment is governed by a special statute of the seventh of August, 1862, which secures to the companies the same legal rights possessed by an individual.

Every month there is a general meeting, in which every member has a vote. By this meeting, an Executive Committee of twelve is elected to manage the business of the Society for one year, which holds a weekly session. This is the gist of the rules of the English societies, which differ only in minor particulars.

And yet in these rules lies only a small part of their strength. Here once again it is true, that the spirit, not the word, makes alive ; and the spirit that has transmuted the copper of the poor Rochdale weavers into gold, is no other than the spirit of frugality and fair dealing.

The frugality of the Rochdale Pioneers showed itself at the outset in not disdaining to save a penny because it was only a penny. Well aware that dollars grow from pence, the Pioneers put by two pence a week, until they had a pile of dollars, and with these savings they founded a business of their own, instead of depositing them in a Bank and putting them into the hands of rich men to be managed at a low interest. In this business the productive power of their judgment could be joined to that of their money. They wisely chose as the object of their undertaking the thing most nearly affecting them, the supply of necessaries for daily consumption, and gauged the extent of their trade to their capital as well as to the degree of their commercial foresight. Their profit in the business was twofold ; for besides the gain in money, they were certain to receive for consumption the goods they liked best ; and the gain in money they could count upon with more certainty, since the profit depended in reality upon the diligence they displayed in their enterprise. In order to make this profit more sure, they did not endeavor to undersell the shopkeepers, but returned to the purchaser, at the end of the quarter, a large share of the gains as a premium, in proportion to the extent of his purchases. In letting these premiums remain in the business, the members benefited both themselves and the society : for on the one hand, they abridged their consumption in order to increase the cash deposits ; on the other, they increased, by their consumption, their own portion of the profits.* The mental busi-

* How easy it is to lay up a considerable sum in this way, let the following example suffice, taken from the records of the Rochdale Society, and published in the English pamphlets ; by which it appears that *without paying out a farthing be-*

ness capital also increased in a similar proportion. The very untoward circumstances under which the Pioneers began

yond the first shilling, and exclusive of a withdrawal of £6, a man realized in ten years £98 13s. 4d. (\$477.50), simply by making his purchases at the stores of the association.

The laborer, whose account with the society is here given, was admitted in 1850.

	£	s.	d.
1850.			
Nov. 1. Paid in cash.....	0	1	0
Dec. Dividend.....	0	10	5
	0	11	5
1851.			
March. Dividend.....	1	11	2
	2	2	7
June. Interest and dividend.....	2	0	2
	4	2	9
Fine.....	0	0	3
	4	2	6
Sept. Interest and dividend.....	1	17	0
	5	19	6
Dec. " " "	1	16	11
	7	16	5
1852.			
March. " " "	2	3	2
	9	19	7
June. " " "	1	19	3
	11	18	10
Sept. " " "	2	2	2
	14	1	0
Dec. " " "	2	1	7
	16	2	7
In Dec. 1853. Interest and dividends, with principal, amounted to.....	24	14	6
In Dec. 1854. " " "	33	10	0
" " 1855. " " "	42	3	11
" " 1856. " " "	52	5	2
" " 1857. " " "	62	2	10
In Feb. 1858. Withdrawn.....	6	0	0
	56	2	10
Leaving balance of.....	56	2	10
In Dec. 1858. Interest and dividends, with principal, amounted to.....	67	8	3
In Dec. 1859. " " "	79	14	9
" " 1860. " " "	90	11	7
In March, 1861. Interest and dividend alone..	4	3	5
	94	15	0
In June, 1861. " " " " "	3	13	4
	98	13	4

their undertaking, called out their utmost energies and tested their power to command success. After they had fully mastered the limitations of their business in its narrow sphere, on which its existence and continuance depended, they could enter without much risk upon larger operations. In their smaller field, they had, in the mean time, found out the persons to whom they could safely intrust the superintendence of the affairs of the Society, in their details; and these faithful men had also familiarized themselves with the technicalities of business. The discipline acquired in the general discussion and management of the partnership matters of dozens and hundreds, soon fitted these men to administer the affairs of thousands. In this way at last, after having done business by their grain-mills with the neighborhood, they were enabled to go further, and by erecting a cotton-mill, to compete in the market of the world.

The Pioneers would, moreover, hardly have accomplished the great results they did accomplish, if they had not, in addition to the above qualities, put into their business, from the very first, the vast moral capital of *fair dealing*. That they had outstripped the competition of the Rochdale tradesmen, even when their business had hardly filled an ordinary store, was due simply to the fact that they were fairer in their dealings. The old proverb, "Fair dealing has the longest life," was observed by them as the best motto for augmenting their resources. They really aimed at fairness in their operations, both as buyer and seller, and were compelled so to do, if they would not cheat themselves. Just measure and weight, and just prices for goods of all sorts, was their first rule, and for this purpose they felt the main help to be, *invariable and immediate payment in cash*. Inasmuch as in the plan of keeping credit-accounts, a tendency lurks to consume future earnings beforehand, as well as to spend more than one hopes to get, the Pioneers dared not put so great a temptation before their brethren, since it would have been peculiarly difficult for laborers with unchanged wages to restore the disturbed proportion between receipts and expenses, and to settle punctually for the goods bought on credit: the Society, too, would not have been able to procure their supplies at the most advantageous times and places, and consequently would have had either to put up

with smaller profits, or to resort to the ordinary expedients of inferior goods and unjust weight and measure.

The fate of several English co-operative societies has shown the wisdom of the Pioneers in founding their business on the basis of cash payments. This basis, whereby all buyers are alike to the seller, enabled the Pioneers to adhere to another equally important principle—that of selling at fixed prices, previously agreed upon; and this again made possible a very exact adjustment of prices, enabled the Society to watch their sellers, and purged their trading of haggling of every kind. Besides, the buyer, greedy for a bargain, could no longer pretend to claim a reduction in price on account of the bad quality or short measure of the things sold. Thus, while it was in the power of the Society to pay back to each of its customers, at the end of every quarter, a part of the price in the shape of dividends, the latter willingly did without those non-essentials through which ordinary merchants try to attract the majority of those inclined to buy. Among the Pioneers there was no need of adorning or adulterating their articles, or of setting them up in gorgeous show-windows; and as the savings inured to the advantage of the buyers in the end, the Society saw itself in possession of a permanent patronage, and able promptly and securely to dispose of its stock on hand.*

* V. A. Huber's "*Reisebriefe aus England im Sommer 1854*" (Hamburg, *Agentur des Rauhen Hauses*, 1855). "*Die gewerblichen und wirthschaftlichen Genossenschaften der arbeitenden Classen in England, Frankreich und Deutschland*," by the same author, in the Tübingen Journal of general politics for 1859; "*Concordia, Beiträge zur Lösung der sozialen Frage*," by the same author, (Leipzig, 1861); "*Die genossenschaftliche Selbsthilfe der arbeitenden Classen*" (Elberfeld, 1865, published by Fridrichs), by the same author; Edward Pfeiffer's "*Ueber Genossenschaftswesen*" (Leipzig, 1863, by G. Wigand); "The Co-operator," the weekly publication of the English Associations; "Self-help by the People: History of Co-operation in Rochdale," by G. J. Holyoake; and "The Rochdale Co-operative Society a Study for Workingmen," by Daniel Stone.

CHAPTER III.

FORMATION OF CO-OPERATIVE STORE SOCIETIES IN GERMANY.

CO-OPERATIVE store societies made their appearance in Germany much later than in England. The first movements toward their establishment did not proceed, as in England, from the laborers themselves, but from men who belonged to the educated class, and had attempted the practical amelioration of the life of the laboring classes. The intelligence of Germany has, especially during the last ten years, considered it as its noblest office to extend help and sympathy to all the exertions of the laboring classes founded on self-help. It is in this beneficent activity, better for the beneficiaries than the loans without interest from the numerous State institutions for relief, that the community receives interest for the talent it intrusted to the possessors of its intelligence in its public schools—schools supported by the taxes of the laboring classes themselves.

Hermann Schultze, of Delitzsch, formerly District Judge, and at present Prussian Deputy, is considered the author and controller, for the most part, of the German industrial and economical associations. Since about 1850, he has sought, with voice and pen, in constantly increasing spheres, to direct all effective zeal for the improvement of the mechanic and laborer, toward the more perfect social union of those to be benefited. The movement earliest affected those small, independent tradesmen who were trying, by aid of societies for cash advances for the wholesale purchase of raw material and supplies, † to maintain competition with the growing prosperity of the manufactories. This movement for confederation to-day extends over all Germany and through all classes of its people. The associations that in 1850 numbered only a half-

† Full accounts of these and all other kinds of co-operative societies will be given in other works, which Messrs. Leypoldt & Holt now have in active preparation.

dozen, now have multiplied into more than a thousand, with not less than 350,000 members, an annual business of at least eighty-five million thalers* (\$59,500,000), and nearly 5,500,000 thalers (\$3,850,000) as private property.

The co-operative store societies began to appear in Germany still later than the credit and labor associations. The factory employees, who were those mainly interested in their formation, had little experience of societies in 1850. Indeed, owing to the comparative novelty of their branch of industry, no consciousness of joint interests had made itself felt in many districts.

It was not till the birth of the educational societies that a change took place, and the so-called working classes were drawn into it. These educational societies sprang up as late as 1860, when the apathy consequent upon the political reaction began to yield to a stronger interest in public matters. This explains the fact that, in his yearly report for 1860, which appeared in 1861, Schultze-Delitzsch was able to show, among associations founded on self-help, but fourteen co-operative store societies, compared with 116 societies for wholesale purchase of raw materials, and 257 societies for cash advances. Among these fourteen, the largest were the company founded at Hamburg in 1856 for distributing the necessities of life, and the co-operative store founded at Zurich in 1852. The latter, made up of all callings, with 2,400 shares of three francs (less than sixty cents), had in 1860, through its seven stores and a bakery of its own, a sale of 180,000 thalers (\$126,000). The one in Hamburg, besides which one yet older has existed since 1852, commanded through its seven places of sale, a business of 70,000 thalers (\$49,000). One that Schultze founded in Delitzsch during 1852, met with no success in that small agricultural village, and died out in 1861. The rest mentioned in the above report were either at that time in process of formation, or shortly after were abandoned, before they had produced any noteworthy results. There arose in 1861 and 1862, principally at the suggestion of C. Riepen of Kiel, quite a troop of co-operative store societies in Holstein—namely, at Kiel, Neumunster, Neustadt, Oldesloe, Itzehoe, and Preetz. That at Kiel acquired in the first six months of its existence a business of

* The Thaler equals about 70 cents, specie.

20,000 thalers (\$14,000); and the united societies of Holstein, assembled by deputies on June 29, 1862, in Neumunster, under the presidency of Riepen. The association movement, however, received a powerful check from the agitations of Ferdinand Lassalle, begun early in 1863. His representations concerning the possibility of ameliorating the condition of the working classes by means of State institutions for relief, brought into the societies everywhere questions of economy whose thorough discussion led to practical arrangements which, in opposition to Lassalle, but agreeable to the view of Schultze, were founded on the self-help of those assisted. Thus in Berlin, a large number of co-operative societies sprung out of those suggestions which, afterwards published as the working-man's catechism, Schultze had made to the societies of laborers in that city. At present there are in Berlin about twenty co-operative store societies, which together have a monthly sale of 12 to 16,000 thalers. Nearly all of the Berlin societies are closely united, and form by themselves a sort of sub-association in the great union of German associations. In 1863 a yet greater number of co-operative store societies were formed on the Lower Rhine and the neighboring portion of Westphalia. Two were formed as early as 1862 among the Elderfield dyers and weavers. At the suggestion of the Elderfield society, the delegates of eleven co-operative store societies celebrated their society day on the 3d of October, 1863, in Barmen, the very place where, but a few days previous, Lassalle had made his fruitless attempts at agitation. During the spring and autumn of 1864 such festivals were again observed, and in the summer of that year it was estimated that the sixteen societies of Elderfield, Cologne, Keilbeck, Witten, Duisburg, Barmen, Dusseldorf, Wilhelmsthal, Ludenscheid, Horde, and Suchteln, together numbered 4,000 members, with 8,000 thalers in their own right, and were doing an annual business of 160,000 thalers (\$112,000). Besides the Rhenish-Westphalian and Berlin societies, societies in the same year were established in Celle, Chemnitz, Finsterwalde, Dirschau, Kotzenau, Königshütte in Upper Silesia, Frankenberg, Linz in Austria, Vienna, and elsewhere. Respecting the endeavor to form these societies now displaying itself on all sides, Shultze was able, in his report for 1863, to estimate the number already

existing in Germany at two hundred, sixty-six of which were expressly referred to in his report. In the course of the next year, new ones arose in Magdeburg, Mayence, Munich, Darmstadt, Neustadt-Magdeburg, and Stuttgart; while those formed the year before, further developed themselves. In 1865 they multiplied most rapidly in the south of Germany,—in Wurtemberg alone twelve, and an equal number in Baden, Hesse, and Nassau. The report for 1865 mentioned 157, where in 1864 were 98, and published the balance-sheets of 34. The aggregate of these, many of them quite small, amounted to 6,647 members, 24,993 thalers (about \$17,500) in their own right, and a trade of 308,461 thalers (about \$216,000). The report added that the political disturbances of the summer of 1866 had prevented a thorough canvass for facts. We are notwithstanding able to ascertain that both the store and the credit societies took a sturdy stand in the period alluded to, and in many places, by reducing prices as much as possible, considerably alleviated the distress of the laborers.

It would be hardly worth while to attempt a definite statement of the statistics of these societies, which are growing so rapidly; yet it may not be far from the truth to set them down as three or four hundred, and their members at forty or fifty thousand. The one at Zurich continues to be the largest, doing, in 1864, at its eighteen stores, a business of 328,063 thalers, and selling at its bakery during the same year 1,265,640 pounds of bread. Besides its fund of 42,669 thalers, the real estate of the company is valued at 165,955 thalers, on which the bakery and a vast central store are situated. Next comes the "First Co-operative Society for Civil Officers of Vienna," with a business in its three stores, during 1864, of 103,020 thalers; and next to this is the Hamburg company, already mentioned, for supplying the necessaries of life, which sold, during 1865, goods worth 75,602 thalers to its 1,916 members. Among the other societies known to us, whose trade exceeds that of the largest retail dealers (probably about 2,000 thalers a month), are those of Celle in Hanover, Dusseldorf, Duisburg, Kiel, Königshütte, Rosdzin in Upper Silesia, Magdeburg, Mayence, and Munich. The one in Mayence, at present most nearly corresponds to its English prototypes. Established in 1863, it now works with three

stores, has 436 members, and the receipts of the first six months of 1866 (41,360 florins)* exceeded the *total* receipts of 1865 (39,165 florins). During the first half-year, the society declared a dividend of 11 $\frac{3}{4}$ per cent. on the receipts, although it put by a reserve of 647 florins, in view of the troubled times.

CHAPTER IV.

NATURE AND OBJECT OF CO-OPERATIVE STORE SOCIETIES IN GERMANY.

THERE are three essential differences between the English societies and those of Germany. In the first place, those of Germany seldom carry on a public business, but confine their trading to their own members. Since 1859, the only exception among the larger societies has been that of Zurich; the others have simply aimed to provide for their own consumption more advantageously than the regular retail trade allowed, and not to seek gain by stock in a joint retail business of their own. In the second place, the abstemiousness of the Rochdale Pioneers in allowing their profits to accumulate into dividends, is too severe for most of the German societies. The largest of them, as those at Zurich, Hamburg, Munich, Kiel, Dusseldorf, and Linz, sell according to regulation at the easiest price: the others, as those of Mayence and Duisburg, declare their dividends immediately after the settling of accounts. It is only of late that some of the smaller societies have given signs of retaining the dividends longer, for the purpose of gaining general capital and enlarging the sphere of their business. In the third place, there is among the German societies, not only trade with the company, but also the so-called ticket trade, *markengeschäfte*; that is, the societies make agreements with certain tradesmen that they shall sell to the members. The name arises from the member's identifying himself generally by a ticket, with which he

* The florin is worth about 40 cents, specie.

pays for the article purchased, and on which a certain stipulated discount is made in favor of the society or the individual member. The general society in Berlin, the society at Freiburg in Breisgau, and that at Stuttgart, do a large business through these tickets, the first-named during 1865 selling to the value of 14,694 thalers. The large societies at Zurich, Hamburg, Vienna, and Munich, as far as we are acquainted with them, have not engaged in this sort of trading; and it may be said in general, that the ticket-trading forms no such bond between the members as grows out of owning a store of their own and supplies of their own, and the mutual attendant risk.

With respect to the classes participating in the German societies, it may be stated, that, while the societies were gotten up almost wholly by workmen or for them, they count among their members many from other classes, especially from the class of civil officers. In No. 15 of "The Brotherhood of the Future" for 1865 it is stated, with reference to the Munich society, that to the astonishment of its seven founders, the society after the first three months numbered 1000 members,—among them all the civil officials, many military officers and nobles, few laborers, and at most but a half-dozen other citizens. The Dusseldorf society, also, reports a similar participation of the civil officers, containing among its members, post-office officials, military officers, and even artists. It is the same with the society at Mayence, and at Lintz in Austria, where the entire garrisons take part in them. Concerning the co-operative store for the Germans in St. Petersburg, "The Brotherhood of the Future," in No. 18 for 1865, remarks as follows: "The store has found its heartiest friends and patrons among the German families of the highest distinction. One of the members of its active committee is a General. German ladies come in their carriages to the store, in order to select their purchases themselves." On the other hand, the majority of co-operative store societies in Berlin are composed of workmen (as "The Bee" and "The Trial," chiefly made up of machinists, and "Self-Help," made up of cabinet-makers). The same is true of those in Upper Silesia, Elberfeld, Duisburg, and the smaller manufactories on the Lower Rhine. The participation of all classes in the societies, is a proof that a necessity is felt throughout all Germany

for a reform in the retail trade, and that no social pique or pride will be permitted to stand in the way of satisfying this general need.

On this account, let us observe the faults of the German retail trade, and their relation to the co-operative store. The number of those engaged in this branch of industry is in an inverse ratio to those who engage in it with judicious economy, yet it must be confessed that the retail dealers are led to such imprudent folly solely by the public—the consumers, who urgently insist upon it. We have already shown in the chapter on the English stores (Chap. II.) to what a degree the retail trade in England has been drawn from a solid basis through the practice of giving credit. The direct consequence of this habit is a disproportion between receipts and expenses in the consumer's household. This occasions want of punctuality in paying the bills, and the tradesman, in want of money, falls back upon the wholesale dealers, who charge a premium on the credited goods. The gain of the wholesale dealer from the embarrassment of the retail dealer, the latter tries to get back from his customers, and so on both sides legitimate business degenerates into extortion. In spite of all this, however, "account-books" continue in favor, partly in consequence of having no system in the household, partly out of convenience or habit; and a request on the part of the tradesman for immediate payment, is taken as an almost insulting want of confidence. Aside from this evil, the buyers generally know little of the goods they buy, and usually judge by external superfluities—as, for instance, by the color; and why then should not merchants, in danger of having the genuine articles on their hands by reason of a slight dulness in the color, so far accommodate the public as to color their vinegar, their coffee, and their butter? The public cares more for cheapness than quality, disregarding the fact that the articles absolutely most expensive, are relatively the most reasonable; and the merchant more and more exerts himself to make goods *appear* cheap by having their appearance better than their actual quality. More than this, the public is not accustomed to fixed prices, and many a housekeeper thinks she has done great things in the way of economy when she has made out to save a few farthings from the extra penny that the merchant, aware

of her haggling propensity, had beforehand added to the price. The bestowing of fees, likewise, has much to do with the business, and servants are made careless of the interest of their employers, through small presents which they expect and receive from the retail dealers, whether with or without the consent of their employers. The instability produced by all these things induces persons of shiftless character to try their fortune at it. With the exception of liquor-dealing, there is scarcely a means of subsistence in which so many seek employment, merely because they have not found success in pursuits demanding a more stable management, and hope in this, by low trickery rather than honorable exertions, to eke out a livelihood.

Even with the best resolutions, an individual customer can do little to rectify this defect in the retail business. The customer who pays cash, rarely, according to my experience, receives a proper discount; for the tradesman, whose whole business is conducted on a basis of credit, makes it a rule to make the good customers pay for bad debts. In the same way, the customer who enters a store where cheapening is common, though he himself may have no purpose to cheapen, seldom fares better than others, since the seller cannot help supposing, when he names the price, that an attempt will be made to beat him down; and for the same reason the tradesman, most of whose customers ask for cheap goods, even though of inferior quality, cannot keep on hand a special assortment for those few customers who trade sensibly.

But the aspect of things is entirely changed as soon as some of the consumers determine to apply the principle of co-operation to the abatement of these irregularities, and unite themselves into a co-operative society for carrying out a reform in the retail trade. In a society of this kind, not only do its members make their equitable demands upon the tradesman with a new efficacy, but they, on the other hand, fortify themselves in the determination, as customers, to manage their consumption with increased foresight. This general movement secures to the individual the advantages of the new order of things, and the obviousness of them prevents a relapse into the old bad habits as soon as the first impulse of determination has become exhausted.

While now the formation of co-operative stores is regarded in Germany as a subject concerning all classes of the people, we ought not to undervalue their great and peculiar importance to the working classes. It is no question of whether they shall have goods of a better quality, that is getting tested : one cannot help but see that the question whether they shall deny themselves credit in the purchase of the day's necessities, is one on whose practical solution all further efforts for the improvement of their domestic or social condition entirely depend. Abundant proof of this is found in the separate manufactories of Upper Silesia, Westphalia, and the Lower Rhine country, where the claims of the shopkeeper on the wages of the workman, occasioned by the credit system, serve as the prolific source of both domestic and moral disorganization. The practice of cash payment, however, while it brings about an accurate proportion between receipts and expenses, also enables the artisan to save up something against the fluctuations of wages, and cheers him with the hope of rising by-and-by into an independent position in the State and in society.

In the last chapter we saw how in Germany the educational societies paved the way for the erection of the co-operative stores. It has been the lot of the latter to requite this service by being the cause of the formation of more of the former. Since co-operative societies touch on the questions most nearly affecting all men, they are eminently adapted to awaken a spirit of association in places barren of united efforts of any kind. Nothing is easier than to join to the general plan of a co-operative store society projects of a different character. It is not long, for example, before a reading-room is added in the neighborhood of the store, next a library, then a piano, and all the appliances of an educational society. As the development progresses, it will gradually bring moral power capable of higher ends, and finally culminate in productive associations, or societies for promoting industry in its various departments.

The path thither is certainly long and toilsome. What we call the "Social Question" cannot be solved by the formulas of the philosopher or the enactments of the legislator, but solely by the earnest united endeavors of mankind. What, indeed, is this "Social Question" but the ever-advancing culture of human society?

CHAPTER V.

ESTABLISHMENT OF A CO-OPERATIVE STORE.

THE best time to open a co-operative store seems to be the latter end of Autumn, since at that time the institution can prove its efficiency in the laying in of winter supplies, and during the succeeding months trade is especially lively.

Before its establishment, there should properly be a public meeting, in which the nature and purpose of such an association may be brought plainly to view.

At this meeting some such preamble as this should be adopted: "The undersigned propose to establish a co-operative store for this locality. Agreeably to this end, and according to the well-approved principles of the founders of these organizations, we undertake to provide our households with all necessaries, of good quality, and by just measure and weight; and from the profits of the business to pay a quarterly dividend to the buyers, in proportion to the amount of each one's trade with the store. A committee shall be chosen to report a set of rules (at some stated time and place), after which a complete statement of the designs and character of the society will be given. All persons who are interested in the foregoing objects, and especially the honored women of our households, are urgently invited to be present at the meeting."

The women cannot be too early interested in the undertaking, since its object is so intimately related to their especial domain—house-keeping. It is best that they should understand thoroughly the principles on which the society is founded, and that in its infancy it should be made their peculiar charge, in order that after the opening of the store they may be the more ready to do away with the old system of orders and petty charges. Housewives will commonly be found to be strongly conservative with regard to all innovations in their domestic economy, especially if these originate with

their husbands.* On the contrary, if the wives are once interested in the objects of the society, one can count on their willingness to make light of all those difficulties which are apt to stand in the way of such associations at the outset. Often, from skeptics they become enthusiasts for the undertaking, laboring with unwearied zeal among their friends and acquaintances for its success.

There will be no lack of customers for the store, not only from the working class, but among all persons who are dependent on a fixed income, and who consequently are glad of anything which will make their expenses lighter. The invitations to such meetings should be circulated not only through the newspapers, but also in all places of resort, and in offices and counting-rooms. Since the manufacturers, when they come to understand its bearing on the improvement of the workingman's condition, must necessarily take a lively interest in the project, and since they have it in their power to help its development in many ways, it is best to extend the invitation to each one of them in person. Many co-operative stores owe their existence to the suggestion of manufacturers. In the educated classes there is to be found much aid and encouragement, not so much from motives of self-interest in the improved condition of the laborer, as from pure benevolence; and the minister, the teacher, the physician, and the lawyer are found to be firm friends of such associations. But little aid is to be expected from independent mechanics, hotel-keepers, &c., in the smaller towns, since these are likely to be in league with the competitors of the store, the grocers, against it. In like manner, the small tradesmen, although they may have no direct personal interest in opposition to it, yet are apt to oppose such associations in the abstract, as an encroachment on the rights of trade, especially as the principles and methods of the co-operative store make such a contrast with business as ordinarily carried on.

Fortunately, it will always be found that a community having already in operation other similar societies, for education, aid to the sick, &c., can easily be interested in the establishment

* Our author, it must be remembered, is speaking of his German country-women. For any doubt, such an illustration is to be true of American house-

of a co-operative store ; for in that case you have a body of men who are schooled to working in concert, and understand the common interest which unites them.

Two of the persons calling the meeting should conduct it, one of them taking the chair, and one giving the statement concerning the object and intention of the co-operative store. In this statement, the foregoing chapters will be found useful, with such additions as the particular time and place may demand. The first and second chapters are particularly applicable to a laboring community : the third and fourth are more suited to a mixed population.

After the general statement, an opportunity must be given for the correction of errors, the clearing up of particular points, and so on. It often happens that there will be tradesmen present, to speak against the proposed object. After listening to what they have to say, attention must be called to the fact, that the co-operative store can hope to prosper only by managing its business with more skill and prudence than shopkeepers generally have shown. Then those tradesmen who allow the success of the co-operative store to serve as a spur to their own enterprise, would have little to fear from it, since a single head in any business can get on better, as a rule, than a many-headed society. Those, on the other hand, who go along in the old way without improvement, have no right to complain if they must make way for the march of Progress ;—any more than copyists had, in their day, when the printing-press appeared ; or spinners, who had to yield to the loom ; or wagoners, when the railroad interfered with them.

Next comes the selection of a committee to form rules for the guidance of the society. This should not be composed of too many persons, lest it prove unwieldy, and make their work slower and harder. It is only essential that it should have a representative from each of those branches of employment which are most interested in the meeting, and whose participation in the society can be relied on ; and that these representatives should be men of standing and influence among their fellows. From five to seven persons will be amply sufficient. The participation in the voting for this committee cannot of course be considered as binding a person to join the co-operative society when established.

The next chapter contains more minute directions with regard to the formation of rules. The consideration of these, and whatever other deliberations are necessary, should follow as quickly as possible after the first meeting, in order to "strike while the iron's hot." At the next following meeting "for the purpose of establishing a co-operative store," there should be some such statement as this: "In consequence of the general interest which has been shown in the project of establishing a co-operative store for this place, a committee was appointed at the meeting which was held at —, on the —th of —, to report a set of rules for its direction. This report declares the objects of the proposed society to be—(here that portion of the report should be read.) All persons who are interested in the matter, men and women, are requested to assemble at —, on —, for the purpose of adopting rules and electing officers for the society."

At this meeting the rules should be read by one of the committee. It is best to have as short a discussion as possible with regard to officers, and to bring it at once to a vote. Then comes the voting on the adoption of the rules, participation in which is not to be considered as binding any one to join the society. The object of all this is not so much to alter the form of the rules, as to have their contents well understood by every one present. Those having reference to the duties of the members especially, cannot be too clearly defined and familiarized.

After the adoption of the rules, an invitation should be given to all present to enroll themselves and pay the first assessment.

Finally, the committee who drew up the rules should be charged with the duty of admitting new members, receiving the dues, printing the rules, and attending to other necessary matters. When, after a time, the persons who have joined the society come to be better known, those rules are to be carried out which provide for the election of a new committee at a general meeting for the specified time.

Soon after the meeting at which the rules were adopted, an announcement of some such kind as the following should be published:

The recently organized co-operative society has a membership

of — (here insert the number) households. Its object is as follows : (Here that part of the rules may be quoted which refers to this.) The obligation of the members is confined to a cash payment of — (quoting the rules as to this.) The society proposes to carry on a trade in groceries, produce, &c., through its own stores, and is prepared besides to make such contracts with other parties as shall promise special advantage to its members.

Applications for membership will be received at — [time and place], where also copies of the rules may be obtained at — [price] apiece.

[Signed], Provisional Committee.
[Names.]

The rules are to be printed in an octavo book, which will serve as each member's account-book, the rules occupying some six leaves. One or two of the leaves should be headed, "Receipts for membership payments," and the page should be divided into about eighteen divisions, on which are to be pasted the receipts for membership payments, referred to in the chapter concerning the keeping of the books and accounts, Section I., B. The four or five remaining leaves of the book are to be ruled, and filled in with entries of the shares, and the amounts credited from the account of profits mentioned in the above chapter, Section III., 4, and also with entries of any money drawn out by the member, according to the following table :

Date.		Dr.	Cr.
1st April.	Amount of Shares	\$	\$
	Interest to be added		
	Dividends		
1st July.	Amount of Shares		
	Interest to be added		
	Dividends		
20th Aug.	Amount drawn out		

These account-books are to be given free to members, and sold to others at a moderate price ; the proceeds being entered

on the credit side of the expense account and the debtor side of the cash account. On the debtor side of the expense account, however, and the credit side of the cash account, is to be entered the expense of getting up these books, as well as all outlay up to the time of opening business, for publication, advertisements, &c.

Opportunity should be offered to the public as often as possible to register their names in the roll of members, and to pay in the dues. It is especially to be seen to, that, so long as the society has no store of its own, the roll should be kept open in the stores of other kindred societies, and dues received there at stated times.

CHAPTER VI.

CONSTITUTION AND LAWS OF CO-OPERATIVE STORE SOCIETIES.

BEFORE we minutely consider the subject of the formation of rules, there is a preliminary question which demands our attention—whether the sale of goods should be exclusively to members of the society, or should be general?

In the case of such societies as have in view, not so much the accumulation of capital, as to secure a low price for the necessities of life, this question is at once answered. For to sell to every person at a price which would give no profit to the society, would be simply making a present to the public, without any return. The great Zurich co-operative store has pursued this plan since 1859, according to its rule to “sell to every one at a low price,” but to just that extent it has become no longer an association for mutual advantage, but a charitable institution for cheapening the necessities of life. Especially does it take that character, since it has, for some years, paid back to the 2,350 stockholders their original payment of three francs, with two francs interest, out of the profits accumulated in spite of the low selling-prices; and has promised, besides, that so soon as the property of the society amounts to 200,000 francs, the interest of five per cent.

shall be wholly applied to the benefit of the members. Under these circumstances, we can hardly give more than a general answer to the question of exclusive or general sale, and must allow it to be decided according to the exigencies of each particular case.

If one argues in favor of general sales on the ground of the greater profit to each member, I answer that it seems to me very questionable whether the mere inducement of a profitable investment for money could prove universally effective in awakening an interest in the establishment of co-operative stores. Hitherto these societies (as has been shown in Chapter IV), in Germany, at least, have been associations for saving expense, and not, as in England, for making money. In Germany, persons have joined them in order to share the advantages of the society in lessening their daily expenses, and not in order to invest capital in a profitable trade. This refers especially to co-operative store societies among the wealthier classes, without some aid from whose business experience, and some effort on whose part to instruct the German working-men in the principles and duties of such associations, they could scarcely, in many instances, have been established at all.

But aside from the question, whether the greater profits accruing to each member, as a return for capital invested in the society, would prove much of an inducement for joining it, we are to consider that there has been much error with regard to the increase of profits by making the sale general. The idea of this increase goes on the assumption, that with sales to the public at large, each member would receive dividends not only on the profits arising from the consumption of the society, but also from the sale to all other persons. But it must not be forgotten, that an extended custom can be expected only on one of two conditions—either that prices are kept below the prices at other stores, and consequently the profits proportionately lessened, or that outside customers also are allowed to receive a share of the apportioned profits according to the amount of their purchases. In one or the other of these ways an inducement must be offered to outside customers to buy at the society's counter rather than at other stores, and to submit to the terms of the society—as for instance, to the

requirement of cash-payments. In England, so far as we are informed, the outside customers also receive dividend-tickets. The idea that these are different in any respect from those of members—as for instance, in calling for a smaller share of the profits—appears to be erroneous; for it is just as impossible to have two sorts of dividend-tickets at the same counter, as to have two prices for each article sold there.*

A truer view of the result of sales to the general public is gained, if we look for the individual member's larger profit, in the increased trade of the store resulting from the general sale, and consequently its increased profits. It is no doubt true that the obligations arising from membership prevent many from bringing their custom to the store. But this will not be found to be a serious difficulty, if the joining of new members be facilitated as much as possible by making the payments light, doing away with all entrance fees, and admitting persons without any unnecessary forms. It must be remembered, too, that the restriction of the sale to members does not at all necessitate that the trade of the store shall be limited to the amount consumed by members. The society, it is true, delivers the articles only to members, but it is none of its concern into whose hands they afterwards come. The result is, that, in many societies, the members get things from the store for such persons as from one cause or another prefer not to join the society, or who choose to make trial of the articles sold there, before joining. Members are particularly inclined to get things in this way, if they are allowed to receive dividends on these purchases as well as on those for their own use. But admitting that a general sale will increase the amount of trade, and thus hold out prospects for larger profits, it must be borne in mind that this possible or even probable advantage is almost counteracted by the increased responsibility of members to the society. It cannot be denied that the portion of the trade which is with outside customers is less steady than that with members. The greater the proportion of outside trade, the harder will it be for the managers to keep in view the harmony of interests between buyer and seller, and the easier will it

* This remark is open to question. There seems to be nothing to prevent the issue of two kinds of "tin-tickets," one kind to receive a smaller percentage of dividend than the other.

be for bad methods of management to creep in. In consideration of all these points, the general convention of societies at Stetten answered this question as follows : "Although the trade with outside customers increases the business of the store, yet in all cases it makes the risk of each individual member greater, and requires very skilful management. Besides the greater risk, there is also to be considered the possibility of an increased outlay of capital from each member. If the plan of general trade has anything more in view than the mere object of disposing of the stock of goods on hand, then the larger sale necessitates a greater capital. Consequently the share of each member must be greater. Then the question arises whether this necessity will not narrow the circle of members, and so make the obligations of each individual heavier."

Consequently, we will not go on to discuss more particularly those portions of the rules which relate to a general trade, since this treatise is specially designed for the use of newly-established societies ; but the remainder of this chapter will be devoted to such stores as propose to have dealings only with members.

We have thought it the best plan, in order that the whole matter may be brought out in the clearest light, and that the questions may be most easily understood, and their consideration be most useful to persons who are called upon to draw up rules for a society, to point our discussions to a particular set of rules, which will be given in paragraphs, and to whose formation we will suppose ourselves called. We have drawn them up specially for the purpose, instead of taking the actual rules of any existing society, because in any such set of rules there are more or less special points, which only relate to those particular societies, and would therefore be out of place here.

In general principles, the rules of the larger societies have been taken as a model, in the annexed scheme ; but it is made shorter than most of them, by leaving out whatever is not essential to the nature of a society, as well as all specifications which are only applicable to a particular business, with its modifications as governed by circumstances.

The shorter and more to the point a rule is, the more certain it is to be understood and kept in mind by the members. Of course, the annexed scheme does not claim to be a perfect

model, or the only scheme which could be successful. It is easy to foresee that no single society will adopt it without alterations; yet we may be permitted to warn them against changing it, merely for the sake of peculiarity. The development of the society will furnish enough peculiarities in the rules, from day to day: at its establishment, when it is impossible to foresee just the course of this development, it is best to make the rules as general as possible, to prevent future expense in the printing of new rule-books.

This set of rules treats—in section 1, of the object of the society; in sections 2 to 8, of the privileges of members; in sections 9 to 19, of the officers and management; in section 20, of the dissolution of the society.

§ 1. OBJECT.—*The ——— Co-operative Store Society has for its object, to furnish its members, for the use of their households, with the necessities of life, unadulterated and of good quality, for immediate cash-payment; and from the profits of this sale to accumulate capital for each individual member.*

This form leaves the broadest freedom in every direction for the development of the society, and sets only such limits to the business of the store, as are essential to its very nature. Liberty is therefore given to the society to satisfy all the actual needs of its members, as well in the preparation and putting up of articles, as in their mere distribution. This distribution can be managed either by the ordinary methods, or by the so-called ticket-method.

The action of the Society will now be set forth in five particulars.

A. The society shall only furnish goods to its members.

The chief reasons for this have already been given. Accordingly, goods must be delivered from the store only to persons who are known to belong to a member's household, or can identify themselves as such.

B. The object of the society is to furnish goods for household use.

The carrying on of a wholesale trade is therefore excluded. Such a trade would lead the society into speculation, and moreover establish an unjust relation between the participation

in the profits and the responsibility of single members, according to their respective retail or wholesale transactions with the store.

The exclusion of wholesale trade does not at all imply that individual members shall be prevented from buying as largely as they please, or that their purchases must be traced up, to ascertain whether they are used in their own household; but merely that they shall buy at retail price, and not at wholesale price. In this way the proper limits will be set to the business. It does not follow from this restriction, that there shall not be a discount, where considerable quantities are purchased, proportionate to the trouble saved to the seller—as, for example, in buying a loaf of sugar, or a box of cigars, and so on.

C. The society shall sell unadulterated articles of good quality.

Unadulterated articles are such as have no admixture of foreign substances for the purpose of deceiving the public as to their nature. From the prohibition to sell adulterated articles, follows the duty of the society to truthfully inform the public as to the origin, condition, &c., of all their goods. By articles of *good quality*, we are to understand such as are what they ought to be, considering their price—as, for example, pure oil, matches that will “go,” sound vegetables, &c.

D. The society can only sell for immediate cash-payment.

As we have shown in a former chapter, in comparing the Co-operative Stores of England and Germany, cash-payment is the life of the institution. Without it, such a store is not worth keeping up; the business had better be left to the small dealers who had it before. This cash-payment, moreover, admits of no exceptions. Once allow a man to take a few cents' worth of goods from the counter without paying down the cash, and there is no limit to the crediting. For this reason we must declare ourselves entirely opposed to the practice of giving a customer credit up to a certain amount of his stock.

Not to mention the fact that a part of the capital of the society is in this way made to lie idle, the least crediting makes all check on the storekeeper impossible, and prevents any exact keeping of the accounts. Many co-operative stores, for lack of attention to this point, have gone to the ground,

and many more for the same cause are leading a sickly life. The General Convention of Societies at Stettin, in 1865, on motion of the delegate from the society at Witten, which soon after died out in consequence of this credit-system, declared as follows : " 1st. That the credit system in co-operative stores already is a great hindrance to that progress in household thrift, which these associations must everywhere labor for by doing away with the practice of trusting ; 2d. That it increases the labor of managing the business, and makes prices higher, as well as absorbs the profits through the unavoidable losses it occasions, and threatens the very existence of the society ; 3d. That, by overstepping the established amount of credit, it gives rise to trouble and dissension in the management, and, by the refusal of larger or longer credit, thus causing complaints, it breeds discord and ill-will among the members. The facts above stated indicate that through these direct and indirect evils of the credit-system, the business prosperity of the society is lost, and all harmony, and happiness, and enthusiasm is destroyed both in the management and among the members, and consequently the unfolding of the society to greater and higher attainments is stung in the bud. Therefore the General Convention hereby warns the Co-operative Store Societies against the credit system, and urges the adoption, wherever it is not now in force, of the cash-payment system, and the altering of all provisions in the rules which are inconsistent with it."

E. The Co-operative Store Society has for an object, to accumulate capital for each individual member, out of the profits gained by the sale of necessities.

This provides that the advantage of the store shall not come to the members in the form of the lowest possible price of all articles purchased, but, as in the English societies, the dividends, which are paid in by the members, shall be allowed to accumulate after a certain amount is reached. As was stated in the chapter concerning the nature of these societies in Germany, many of the larger ones among them do not act in accordance with this principle. Such societies are narrowed down to a mere company for carrying on a retail business, and giving to such business proper and honest methods ; whereas the English societies, working according to the above princi-

ples, strive to employ the profits of their trade to the permanent improvement and prosperity of their members. Aside from its bearing on a true domestic economy, and on social morals, such a society profits greatly in its own business operations also by the principle of accumulated dividends. Those societies which care only to sell as cheaply as possible, grow up rapidly, but as soon as they reach a certain point in their development, are at a stand-still or break down when the first enthusiasm has died away. Each member is only bound to the rest by the mere advantage which the low prices afford him ; and his steadiness as a customer varies according as this is greater or less, or is more or less appreciated by him, nor does he take any more lively interest in the society, or its management, than in any other establishment which is useful to the public. Where, on the other hand, the profits of the business are accumulated for dividends to each individual member, there is but one noticeable hindrance to the growth of the society—viz., that the man does not constantly have his profit in his pocket, where he can lay his hand on it, but must trust it, till settlement day, out of his sight, where it is growing to a principal till then invisible to him ; but when once he has seen the books balanced and the amount in his favor, then the growth of the society goes on all the more surely. For this profit of his in the business looks more precious in the shape of a good round sum, than in the successive dribblets which might come to him in pennies. Besides, the use of these dividends in the mean time gives the society a larger working capital, and allows of a breadth of operations which would be otherwise impossible except by greater payments from the members.

In consideration of all these facts, the General Convention at Stettin, in 1865, passed the following : " Those co-operative societies which afford their advantages to their members, not by the lowest possible prices, but in the form of dividends, which are not paid out till a certain amount is accumulated, assist each member in acquiring capital, and at the same time furnish themselves with the means to enlarge their effectiveness more and more. The increase of capital is in all cases more desirable, both for the society and for its members, than a system of selling without regard to profits, or one of depriving

itself of the profits by paying out the dividends to its members."

The intention of this rule is by no means that the society should always sell at the same prices as the retail dealers. It only demands that the prices shall be kept within those limits which will show the largest profits on balancing the accounts. But this profit does not depend solely on the question of prices, but also on the extent of the sales as determined by the prices. It must be borne in mind, that the running expenses, salaries, storage, loss through drying, &c., do not increase in the same ratio with the extent of sales. If, for example, by means of two per cent. diminution of prices, a business is gained which will decrease the expenses four per cent., it is evident that lower prices are more profitable. If, in pursuance of the dividend principle, one considers how large a price can be asked from each member, without detriment to the extent of business, the prices will perhaps be found to have been put too low at the commencement of the trade, and as its development goes on there will be an effort to bring the prices nearer to those of the retail dealers.

The prices of particular articles should be governed by this rule: that a low price produces an extended trade only in reference to those articles which are in most demand, as coffee, sugar, oil, flour, and the like. In the case of things which are bought for a few cents, or seldom called for, a low price will have but little effect on the trade. They would be bought at the store where most of a man's trading was done, to save steps. With regard to all articles, the price must never fall below the cost—i. e. their cost as delivered at the counter, taking into account the first-cost, the transportation, loss by injury, waste, &c. Special goods, which are not dependent on the general state of trade, are to be considered as profitable, only when they pay, besides their cost, something toward the running expenses in general, as wages, salaries, &c.

In considering the privileges of members, sections 2 and 3 will treat of their admission and resignation; sections 4 and 8, of the receipt and payment of shares; sections 5, 6, 7, of the apportionment of profits and losses.

§ 2. ADMISSION.—*Any person may be received as a member.*

§ 3. RESIGNATION.—*A resignation may take place after the third settlement subsequent to a member's written notice of intention to resign. An immediate resignation may be received by a vote of the Society, either in case of some violation of the member's obligations to the Society, or in case there is some other person who is ready to become a member and assume all the rights and obligations of the one resigning.*

To leave their roll open for all persons to join, must be a first principle with every society, which does business only, or chiefly, with its own members; since on this depends the possibility of larger sales and more extensive operations. To limit the membership to persons of a particular craft or occupation, is opposed to the community of interest which every man in the society feels that he has with every other. So far as the society, in the natural course of its development, tends to especially promote the interests of any particular class, of course the membership will naturally, and by choice, be mainly composed of that class. To limit a society to the workmen of one particular establishment, is only to be thought of in cases where those who own or carry on the establishment offer certain peculiar advantages, free of expense, to the society, and exercise a certain control over it. Such associations, not being founded on self-help, of course lie outside of our subject.

Women, also, married as well as single, should be allowed a place in the society, as in our English models. Although the former cannot bind themselves legally,* this makes no difficulty in actual practice; for the husband will always exert himself to the utmost to pay his wife's dues, lest she be disgraced in the society.

Though, according to section 2, no kind of person is to be excluded from membership, yet the society is not bound to admit every one who chooses to apply. The poverty of a man can never be a reason for excluding him, since nothing can be taken from the store without being paid for in cash; but it is possible that a person should be refused admission on the

* They can in several of the United States.

ground that his manner of life makes him unworthy to take part in the general meetings.

Resignations can take place either at the member's own desire, or that of the society. The society must be empowered to cut off a member for violation of his duties, such as tardiness in paying his dues, disturbance at a meeting, &c. A member can resign, according to the custom of the English societies, as contained in the rule under consideration, only on one condition—viz., that he make over his share in the society to some other person, with the society's consent. The object of this is, that the capital of the society may increase, but may not be lessened by the withdrawal of members. In this way the business of the society, as well as its credit, maintains a solid basis. In the German societies the instability of the capital is in part compensated by the liability, according to law, which remains even after a member's leaving the society, for those debts of the society which were incurred previously. But since this liability is practically made of but little importance, and as it seems desirable to do away with it altogether in such associations, there must be the more earnest effort to hold securely the capital already accumulated, and in every way to maintain the proper position of a stock company. Yet to go as far as the English societies do, and have no share whatever subject to recall, would, in small societies, be likely to result in great inconvenience. In these the opportunity for transfer of shares is small, and the public would be deterred from joining the society by the impossibility of recalling their investments. For such societies the middle path, as expressed in the above rule, seems preferable. Here a member can leave the association, and either receive back the value of his share of stock after having given reasonable notice of his intention, or transfer his stock to some other person. This other person must be some newly-entering member. If it were permitted to transfer the stock to another member, already holding a share, then the regulations concerning the amount to be held by each, and the dividends to be declared on the stock, would be impracticable; and one of the first principles of the society, which requires that there shall be an equality among members in their representation by votes, would be overturned.

The person to whom the stock is to be transferred must have been voted upon by the society and accepted as a member. This corresponds with section 2, which reserves to the society the right to refuse admission to persons who, for particular reasons, are not deemed worthy. The transfer of the stock includes the transfer of all privileges and obligations which its holder had in the society. The stock must be entered in the account of the new member to exactly the same amount as it stood before on the account of the retiring member, with all the credits and debits belonging to it up to the time of transfer.

We now come to the regulations concerning the payments and dividends on the stock. For the better understanding of these, the intervening sections are given, relating to the settlement of accounts, and the apportionment of profits and losses.

- § 4. PAYMENTS.—*Each member shall pay the sum of (say 50 cents) per week till the payments amount to a share of (say \$5.00). The first payment shall be made on entering the society.*
- § 5. BALANCING ACCOUNTS.—*A balancing of accounts shall take place four times per annum, on the first (Saturday) after the end of the quarter.*
- § 6. DISTRIBUTION OF PROFITS.—*The profits, as ascertained on balancing the books, shall be divided into two shares as follows: I. (Say 2)* per cent. on the amount of capital (both permanent and subject to withdrawal) standing to the credit of each shareholder at the last preceding settlement, shall be credited to such shareholder's account. If the profits are not large enough to admit of (say 2) per cent. being thus credited, there shall be a credit given of such smaller percentage as will consume the entire profits. II. If, after crediting (say 2) per cent. on the capital of each shareholder, as ascertained at the last preceding settlement, any portion of the profits shall remain undisposed of, such remaining portion shall be credited to the shareholders in proportion to the amount of each member's purchases during the quarter in which said profits were accumulated.*
- § 7. APPORTIONMENT OF LOSSES.—*If, on balancing the books, loss shall appear to have occurred, it shall be charged to all of*

* This means two per cent. quarterly, or eight per cent. per annum.

the shareholders equally ; and if such charge shall make the balance standing to the credit of any person less than the amount required for permanent share of stock (say \$5.00), he shall at once begin weekly payments in the same manner as a new member, and shall continue them until the balance to his credit shall equal the amount required for a permanent share of stock (say \$5.00).

§ 8. RETURNS.—*Whenever a share reaches the amount of (say \$10.00), its holder shall receive, three months after the settlement next ensuing, the sum of (\$5.00). When a member resigns, not transferring his stock to a new member, the full amount of the stock shall be paid to him, if his resignation was caused by any urgent necessity ; but if otherwise, 25 per cent. of the stock shall be retained to the society's capital.*

The equality of the members in their relation to the society, is, as has been said, a first principle of the co-operative system.

In harmony with this are section 1, in which the adoption of wholesale prices is forbidden, and section 3, which provides that no member shall hold more than one share, on which depends their equality with regard to votes. Consistently with this, also, it is desirable that the amounts of the separate shares should not greatly differ from each other. In the foregoing sections the way is left open only in two directions for an inequality of shares. 1st. It is allowed to newly-entered members to pay in their share by instalments. This is to make it easier for persons of small means to join the society ; which increase of membership, so far from injuring the already established business of the store, helps turn the capital over more quickly and profitably, since in every new member the store gains a new customer. 2d. This exception, also, is made to the equality of the shares, that when the normal share (of, say, \$5.00) is reached, the further dividends are paid out to the member in cash, whenever the surplus above this share amounts to a certain sum (say \$5.00), and only when this surplus has reached the said sum. This is to correspond with the expressed object of the society, as given in section 1—“To accumulate capital for each member out of the profits of the business.” The above regulation aims at allowing the

profits of each member to so far accumulate, that its amount will, in some degree at least, dispose him to turn it towards the formation of a steady capital, instead of spending it at once.

Accordingly, the General Convention, held at Cassel the present year, on motion of the United Societies of Berlin, made the following declaration: "Following the example of the English societies, it is recommended that no member shall be entitled to withdraw the accumulated profits credited to his account until they have reached the sum of (say \$5.00), and shall draw them only in sums of (say \$5.00),"—on the principle expressed under section I., E.

As we see from this declaration, the main principles concerning the amount of the shares are borrowed from the uniform practice of the English societies, which make a distinction between transferrable shares and those not subject to recall. Each member must hold one of the former, and his stated payments go to the acquisition of this. The shares subject to recall arise from the accumulation of dividends, and a member can obtain a share of the latter kind, paid out by the society at the appointed time, as soon after gaining the permanent share (of say \$5.00) as his declared profits amount to the required sum (say \$5.00).

And now in regard to each member's share in the permanent capital, which cannot be returned to him while he is a member of the society. This depends upon the amount of profits which must accumulate to the credit of each member before he can draw any profits whatever. If this amount is fixed at a high figure, the share of capital to be permanently retained may be low; for as the members will not all draw their profits at the same time, there will always be a portion of profits on hand which can be used as capital in conducting the business, and the amount of permanent capital needed outside of this portion of accumulated profits always on hand, will be proportionally small.

To set at the highest figure the amount of profits necessary to accumulate before a member can withdraw any, is likewise favorable to the accumulation of individual capital; yet it must not be forgotten, on the other hand, that the larger the required share, the longer the member is obliged to wait be-

fore he receives money for any fraction of his interest in the society. If, however, a member lacks confidence in the advantages thus held out, or if his domestic concerns lead him earnestly to desire a smaller payment in cash, care must be taken that the desire to have the individual lay up capital be not injuriously preferred to the desire to have the whole society enlarge its business. Still further, by too large shares, the society may be placed in the dilemma of not being able advantageously to invest its hoarded profits, or of suddenly withdrawing from the business a large number of these large shares, which chance to fall due at the same time. It is for these reasons that, in the plan here suggested, the value of the movable share of profits should not be less than the permanent share of capital.

The sum not payable to the individual during membership depends on the extent of the society's business, as well as on the size of the shares required to be credited before payment of dividends. At the founding of the organization, the initiatory share should not be made very large, both because heavy operations are not befitting a young undertaking (a matter that will be considered in the next chapter), and because the need of the capital becomes less pressing as the membership increases and the sales are brisker; the size of each will evidently be in an inverse ratio to the number of those who may think it advisable to join the society. This view has been confirmed by the General Convention of Societies, held during the present year at Cassel, where, on motion of the United Berlin Societies, it was resolved, "that it is expedient to fix the value of the permanent unreturned shares at a low figure, imitating the example of the English associations, where such shares do not exceed £1 sterling." The co-operative store at Zurich was established on three-franc shares (less than sixty cents), and the society of Hamburg on thirty-cent shares; and the stock of the store at Mayence originally called for three florins (about \$1.25), although afterwards raised to five.*

It may be proper to subjoin some explanatory remarks to

* It will not do to lose sight of the fact that prices in Europe are vastly lower than in the United States. The arrangements of societies must, of course, be adjusted accordingly.

sections 4 and 8 of this plan. Section 4, respecting the sum to be paid in, requires each member to pay over to the association not less than (say fifty cents a week), until he is entitled to stock to the amount of (say \$5.00)—the first payment to be made when he enters the society. The member is not hereby obliged to pay (say \$5.00) all at once, but only to pay (say fifty cents) so many times, week after week, as, with the first payment and the credited profits, may be requisite to make (say \$5.00). If the credited profits are large, the general sum to be paid in diminishes, and this makes the new member more ready to give the store his undivided support. All that has been said respecting the adjustment of the portions, applies to the individual shares, both with respect to their value and their time of payment. In estimating how much the members can do, we should take into account the fact that nearly all of them contribute to societies for different purposes outside of the store, to a sick-fund, a savings-society, or an educational society. The English societies levy on their members an assessment of only two pence a week; and in Germany the highest tax allowable is but two and a half silver groschen (about ten cents) a week, or 10 silver groschen a month.

The rule established in the above sections does not hinder any member from paying more than (say 50 cents), or even the whole sum at once, but it does forbid him to pay more than (say \$5.00) on a single share, or to continue paying his monthly assessments for the acquisition of other shares than the one of (say \$5.00) he has already acquired. To sanction this would be to turn the store into a savings-society, and to draw outside capital into the association, for which no remunerative investment could be easily found. Consequently, if no check upon continuous contributions were imposed (and no German society is without such checks), many persons, whose circumstances do not admit of such contributions, would be debarred from membership, and the real purpose of the co-operative store would be imperilled for the sake of something else.

The section under consideration does not exclude members from making a special agreement with the society in their individual capacity, for payment of certain sums of money, should

the society see fit to strengthen its business in this way ; but such payments are not to be considered shares, but loans (just as if from an outside party), the amount of whose interest and the time of whose final return can be fixed by special stipulation.

The first payment on the share must, according to the paragraph already quoted, be paid on joining. The object of this is, to deter persons from being enrolled in the books of the society by reason of occasional purchases at the stores, who in reality have never intended to become actual members. Such a practice would be substantially keeping a public store, and render the society liable to prosecutions under the statute concerning the transaction of business without a license.

The requirement from applicants of an extra initiation fee, a sum which is not to be credited on their share, we are not prepared to advise. There exists no good reason for it, and every such exaction is an obstacle to membership. As for the account-books furnished the new member, their cost is so trifling, that it is hardly worth while to make any charge for them.

The first proposition in section 8 declares, that as soon as any business share shall have reached the sum of (say \$10.00), \$5.00 thereof shall be paid to the holder of the share, three months after the next balancing of accounts. Further increase of the share is excluded for the same reasons that suggest the equality of the shares. Yet this does not prevent the holder of the amount due from returning it to the association under express stipulations—not as a share indeed, but as a loan. All payable shares, not otherwise disposed of by the members, are looked upon as loans to the society.

The time of three months after the next balancing of accounts, was indicated as the interval before payment of the profits, lest by a large number of heavy payments falling due before the society has had time enough to prepare for them, the society may be seriously embarrassed.

The second proposition of sect. 8, respecting the payments, says, that when a member resigns, and no substitute appears to take his share, the full value of his share is paid to the resigning member, provided his withdrawal is occasioned by some outside circumstances beyond his control, such as death

or unavoidable absence ; otherwise 25 per cent. of his share is withheld for the capital of the society. This reservation is necessary to prevent members from handing in their resignations, merely in order to receive the amounts of their shares, and then joining again on the payment of the usual first instalment. The 25 per cent. retained must be credited to the profit and loss account of the society.

There yet remain to be considered sections 5, 6, and 7, concerning the balancing of accounts, and the equitable allotment of profits and losses, which see on pages 40 and 41.

According to sections 6 and 7, the entire profits of a quarter are to be added to the amounts subject to withdrawal, and the losses are to be charged against each *shareholder*. It will be noticed that those who have not yet made enough deposits to constitute them shareholders, do not participate in profits or losses. This, of course, can be changed when it is thought desirable.

This method of disposing of profits and losses does not provide for the accumulation of any reserve fund. For the formation of such a fund three reasons have been assigned. In the first place, it is alleged that the association thereby provides itself with a permanent capital, unaffected by changes in the membership. The advantages of a permanent capital of this kind have been enumerated in discussing the paragraphs concerning the entrance and withdrawal of members, and we have there given it as our opinion, that not a fraction of the society's wealth (and a reserve fund would represent no more than this), but the whole of it, should be made permanent, by the policy of declaring the shares permanent and not subject to withdrawal. In the second place, it has been urged that it would constitute a sort of indemnity fund, from which to make up for any discrepancy which may be found to exist between the actual value of the assets of the society, and the figures by which they are represented on taking the stock account of the concern.

Such precautions may not be out of place for a credit society,* the assets of which consist for the most part of out-

* A co-operative organization for furnishing its members loans, &c. A full account of these societies will be given in the work on "Co-operative Credit Societies," soon to be published by Messrs. Leypoldt & Holt.

standing claims. The stock-capital of a co-operative store, on the contrary, consists of the amount of cash on hand, the actual value of the appurtenances of its business, and the market value of its stock of goods. The Store-fixtures account, by being originally charged with the actual purchase cost of the articles, and by being credited at the end of each quarter with the customary percentage for wear and tear, must very nearly represent the value of the articles in use. The purchase-value of the goods on hand, at which figure they must invariably be set down on taking inventory, is almost always realized by a co-operative store, which engages in no speculation and aims at quick sales. Trifling occasional losses would not justify the creation of a special reserve-fund.

In the third place, the reserve fund has been called by its advocates a sort of insurance fund, whose office it is to distribute heavy losses over several periods of account, and thus to make them less severely felt. To this it may be answered that the co-operative society does not, like a credit society, follow a business involving risk, nor even a credit business, but simply a cash business. Large losses can come upon it only through the unfaithfulness of its officers. To protect itself in a special way against such losses by a reserve fund is not without its difficulties. One is, that a fund designed to make these losses less felt is eminently adapted to slacken and paralyze the vigilance of the administration in the control of its officers. Besides, it would be found very hard to arrive at a correct estimate of the necessary size of such a fund, and to name the extent to which each quarter's business should be made to contribute to its accumulation. A loss, too, may possibly occur just when the fund has not the wherewithal to reimburse it, and so the purpose of protection is defeated. It is unquestionably true, that in case of disaster, the members would deem a deduction from their shares less agreeable than the protection of a reserve fund; but this exceptional case should not obscure the fact that forming a reserve fund necessarily involves a systematic deduction from the profits, and a further initiation fee from each new member, in order to entitle him to the privileges of the fund already amassed. This consideration will have special weight with the society, as the existence of the society essentially depends on a large mem-

bership, and hence, upon the absence of all obstacles to admission.

The example of stock companies cannot be adduced, inasmuch as with them, their shares not being subject to withdrawal, the reserve fund is nothing but the result of profits, added to the shares reserved for the business capital. If a shareholder in a joint-stock company sell or transfer his share, his interest in the reserve fund is likewise transferred, as is clearly proven by the ever-changing value of shares on the Stock Exchange; but the member withdrawing from a co-operative society receives no remuneration for his interest in the reserve fund.

The English co-operative stores, as far as we know, have no reserve fund, and it is found only in those German societies which are least developed. A few of the smallest seem bent on the immediate establishment of a fund, and in so doing, follow a policy contrary to that of the large industrial societies. While with the latter the founders of the society enjoy certain privileges not extended to, and not enjoyed by, members admitted at a later period, the former, on the contrary, demand from their original members the creation of a fund to which members subsequently admitted hardly ever contribute. The Union of Berlin societies has declared against the formation of such a fund, and in the General Convention at Cassel, the consideration of a motion in its favor was indefinitely postponed.

In the distribution of profits, a fixed sum is applied to pay interest on the shares, and the rest of the profits are divided in proportion to the goods purchased from the store. We have had many opportunities of calling attention to the excellence of this method of distribution, which originated with the English societies. On the one hand, the payment of interest furnishes some compensation for the inequality of the shares subject to withdrawal; and on the other, by basing a part of the distribution on the purchases of goods, it prompts each member to extend his purchases as much as possible. But since, according to section 1, this account is to be confined to supplying household wants, care has been taken that purchases by members for outside parties do not make the distribution depart too widely from the principle of equality among the members. In a similar spirit, the General Convention at

Mayence, in 1864, refused to entertain a motion, resolving that the award of dividends should be made, not on the total of the purchased goods, but on the amount due to members.

In the allotment of losses, however, the same principle does not work. If there should be reason to apprehend losses, each member would abstain from taking goods, in order not to increase his share in the same; and in case of heavy losses, he could prevent any correct estimate of the total of his purchases, by destroying or not presenting the tin-tickets which were delivered to him at the time of purchase. The allotment of losses must therefore be made in the manner of a poll-tax, the method most closely corresponding to the distribution of profits, and to the character of the society. This method can be the more readily resorted to without any scruple, as losses, necessitating a reduction from the members' shares, hardly ever occur; and it may be remarked, that hardly any existing societies have found it necessary to make any provision for losses in their by-laws.

The English societies pay an annual interest of five per cent. on the shares. This rate is fixed in consideration of the fact that deposits in the savings-banks, with less risk, draw three and a half per cent. interest. In the plan proposed above, it is fixed for easier calculation at two per cent. a quarter, equal to an annual rate of 8 per cent.; and as the reckoning of these accounts will in any case be long and tedious, it is proposed to cast interest only on the whole dollars. Moreover, these dollars must have been available for business purposes during the whole of the business quarter; that is to say, they must have been placed to the credit of the member at the time of the last quarterly balancing of accounts.

On the distribution of the remaining profits in proportion to the purchases, all the goods which the member has obtained from the store are taken into account, as well as those which he has obtained outside by means of tickets. In those societies which do business by tickets alone, a separate calculation is generally made on each kind of ticket, corresponding to the discount made on it; but in other societies, not only would such a method of calculation be impracticable, but absolutely unjust, since in all societies but ticket-societies, the business

is simple, and the various articles reciprocally adjust themselves in their sales.

On the practical working of this mode of distributing profits, and especially on the appraising and adjustment of the total of goods bought by any member in the store, see the chapter on book-keeping and cash accounts, and more particularly sections I., C, and III., D.

The losses are divided among the whole number in equal portions. But should the assessment of loss exceed the share and interest of some member, then an equal re-division must be made among the shareholders whose shares have not been exhausted; and so on, until either the losses have been allotted or all the shares exhausted. For this last contingency, we have not thought it worth the trouble to devise remedies in our schedule of rules.

Section 5 says that the balancing of accounts shall take place four times a year, on the first Saturday after the end of the quarter. In all the English societies with which we are acquainted, the settlement takes place quarterly. With the ready sales of a co-operative store, a stable business, and an absence of all those more intricate operations which are inseparable from a system of credit, these brief periods of settlement seem quite admissible. In practice, these frequent settlements involve much labor, but they involve a greater security for upright management, and a clearer oversight of the expansion of the business. They were made indispensable, in Germany, by the acceptance of the English principles concerning the distribution of profits, and the method concerning their computation. The oftener the time comes round when each member ascertains the profit on his share, the stronger will be his desire to augment his capital by laboring for the prosperity of the store; and, indeed, it would be almost impossible, without a quarterly settlement, to determine the share of the profits, based on the total amount of the goods purchased by each member.

Further particulars are given in the chapter on book-keeping and cash accounts, paragraphs I., C, and III., D.

We next come to the rules concerning the administration of the society, and set down the paragraphs relating thereto in their proper order.

- § 9. GENERAL CONVENTIONS shall be called by posting notices, eight days beforehand, in the stores, and by publishing, forty-eight hours beforehand, in the principal newspaper, a statement of the matters to be discussed. In the Convention every member present has a vote, and a majority of votes decides a measure.
- § 10. EXECUTIVE COMMITTEE.—*The Convention shall intrust the management of affairs for a year to an executive committee of fifteen members, chosen by ballot.*
- § 11. MATTERS REQUIRING THE ACTION OF THE CONVENTION.—*The Convention shall deliberate over amendments or alterations of the rules ; allotment of profits and losses ; number of stores ; investment of capital outside of the business ; receipts and expenditures of more than (say \$100) ; unperformed contracts ; amount and conditions of loans received ; the cautions to be observed by the treasurers and store-keepers, and the conditional confirmation of those incautiously chosen for such positions ; and indemnification of the members of the committee for all trouble.*
- § 12. PRIVILEGES OF THE CONVENTION.—*The Convention has supreme control of the business, and is the highest tribunal for all complaints. It chooses, for each settlement of accounts, certain auditors, who must lay their report before the Executive Committee.*
- § 13. COMMITTEE AND OFFICERS.—*One-half of the members of the Executive Committee shall constitute a quorum, and a majority of votes shall decide. It shall choose a president and a vice-president. It shall be the president's duty to call a meeting of the Committee at least once every month ; and, in addition, as often as any three members may desire it.*
- § 14. WHEN MEETINGS ARE TO BE CALLED.—*The Executive Committee shall issue the call for the Convention, and its president shall preside. The call must be within three weeks after the close of the last settlement, and as often besides as twenty-five ordinary members, or five members of the Committee, shall express a desire for such meeting, and give a written statement of their reasons therefor.*
- § 15. BOARD OF DIRECTORS.—*The Executive Committee shall choose from their number a Board of Directors, consisting of one Director, a vice Director, and two assistant Directors. No store-keeper, contractor, or agent shall be a member of this Board.*

- § 16. FUNCTIONS OF DIRECTORS AND FUNCTIONS RESERVED TO COMMITTEE.—*The Committee shall intrust to the Board of Directors the further management of the business, but shall reserve to itself the final decision in—1. The expulsion of members, which shall require a unanimous vote ; 2. Receipts and expenditures of over (say \$100) ; 3. Unfulfilled contracts ; and, 5. The methods of keeping the books of the society.*
- § 17. FURTHER FUNCTIONS OF THE COMMITTEE.—*The Executive Committee shall exercise superintendence over the Board of Directors, and decide all appeals from it. It can at any time institute an investigation of all business operations, and is empowered to remove Directors from office, subject to the decision of a convention to be immediately called ; and to appoint members from its own body for the occasional performance of current business. In the decision of matters not herein mentioned, the Committee shall take no part.*
- § 18. SPECIAL DUTIES OF DIRECTORS.—*The Board of Directors shall meet at least once a week, and shall decide, by majority of votes, on the receiving or distribution of goods ; all receipts and expenditures arising, not already determined or brought before the Convention and Committee ; the admission of members ; and the care of the store, either through members of the Board or persons appointed for the purpose.*
- § 19. LEGAL SIGNATURE OF THE ASSOCIATION.—*The legal signature of the association shall consist of the signatures of the Director and Vice-Director, or of one of these with that of one of the assistant directors.*

The present plan assigns as administrators of the society, the Convention, the Committee, the Auditors of Accounts, and the Board of Directors. The first three bodies are clothed with specified authority. The care over all other business matters is exercised by the Board, either through its individual members or those whom it appoints. The contrary principle, that all things, not explicitly assigned to some particular body, shall be referred to the Convention, is not practicable in the arrangements of a co-operative store. Provision has to be made for so many unimportant things, which can only be provided for at the time of their occurrence, that to refer them to the Convention would lead to incessant interruptions ; there would be room too for the

apprehension that such an impracticable interpretation of the rules would violate the privileges of all of them, and finally become exceedingly arbitrary.

In the adjustment of privileges, besides its duties as a tribunal of appeal, of supervision and award, the Convention is vested with the power to make laws, to amend the by-laws, to allot the gains and losses, and to make such other decisions as tend to restrict the sphere of the society's activity and the extent of its business. Generally the duty of determining how many stores there shall be, and the investment of the moneys received or deposited, also devolve upon it. That the ratification of contracts which necessitate a reciprocal duty on the party of the societ (as contracts for service, leases, and the like), should be brought before the Convention, we hold to be unadvisable. As regards leases of houses and business localities, an acquaintance and familiarity with the situation, dimensions, etc., of such buildings would be indispensable, but it can hardly be looked for among so numerous a body as the Convention. To lay the award of contracts for services before it for approval, we deem equally unadvisable, as also to refer to it the selection of the Board of Managers. The servants of the society must not only have the general confidence and good-will, but must also be versed in the technicalities of their several positions ; and not one in a hundred, perhaps not one in a thousand, of the members is qualified to judge accurately of their capacity. Still more difficult would it be to deliberate, in such a large assembly, on the propriety of dismissing one of them from office. The Convention should therefore content itself with enacting, that no employee be chosen for more than three months without its consent, and that the auditors and store inspectors chosen by the Executive Committee, must receive their confirmation from its hands. For the same reason that it is hazardous to debate the dismissal of its minor officials in the Convention, it seems also unwise to deny to the Committee the power of expelling members, subject however to appeal ; since, in this way, the question of expelling the member does not come before the Convention, until he has made a formal motion for readmission.

On the other hand, it is expedient that all compensation

due the members of the Executive Committee should depend on the decision of the Convention, since in this way the Committee is saved from outside slanders and quarrels amongst its own members. In regard to the minor officials, however, it would be useless for the Convention to act on each separate demand for compensation ; but the rate of compensation for each class of service should be definitely announced beforehand.

If it is proper that important matters should be brought before a Committee from the main body, it is proper, too, that this Committee should hold office but for a short time. Choosing its members for only a single year, enables the growing society to substitute more experienced persons, should any present themselves. This Committee should not only decide all issues of a personal character, like those already mentioned, but it should previously arrange the matters about to be brought before the Convention. It is desirable for all parties that the number of its members should be large enough to insure judicious and impartial decisions ; yet not so large as to be unwieldy. The number fifteen seems to meet these requirements ; yet this would be much too large if the arrangement of all current business, particularly the purchase of goods and the prices of sales, should be included in their duties. Only the approval of unusually large purchases and expenditures should be brought before the entire Committee; for such can generally be postponed awhile ; and by such presentation to the Committee, speculations on the part of the Board of Directors may be avoided.

Some societies have put the other duties in the hands of a single director ; but this seems to be giving to one an amount of power inconsistent with the spirit of the society, and liable, especially in the purchase of goods, to the grossest abuse. The form of the Board, likewise, befits the character of a co-operative society—its abstinence from speculation and its promptness in transaction of business. Nevertheless, this Board must be the only subdivision of the Committee. Special commissions, as for purchase, control of funds, or representation abroad, are impracticable, and lead either to interruptions or arbitrary encroachments. The Board should consist of certainly not more than four persons. That of the Credit Societies, indeed,

has a greater number, but for the reason that a more extensive acquaintance with those seeking credit is thereby secured. The members of the Board, though selected from the Executive Committee, still retain their places on the latter. It would be absurd to exclude those intrusted with the details of the business from all voice in its management and direction. Nothing hinders the officials subordinate to the Board, with the exception of store-keepers, from being chosen as members of it. In the larger associations the store-keepers, also, might be chosen ; but in smaller ones they might, in their double capacity, acquire an influence dangerous to the general prosperity. Nor can any contractor or agent belong to it. No one can serve two masters. For a similar reason, such persons ought to be ineligible to the position of member of the Committee ; but here their influence would be so reduced that their selection need not be expressly forbidden by rule.

The Board cannot delegate to others the powers delegated to itself. Decisions respecting the accounts of goods or their distribution, respecting receipts and expenditures not brought before the Convention or the Committee, and respecting the amounts received from the members, must be rendered by the Board at a regular meeting. The legal signature of the society consists of the signatures of the director and vice-director, or of one of these and an assistant-director. In other respects, the matters committed to the Board have not been particularly defined. For instance, all correspondence concerning the accounts of goods, or the book-keeping, may be intrusted to one or two persons, members of the Board or outside of it. This indefiniteness gives a flexibility beneficial to the society in all the stages of its development, and does away with the necessity of amending the rules nearly every six months. The expansion of business will itself bring about a greater division of duties, requiring a larger corps of assistants to the Board. As at Zurich, besides the corps of salesmen, an additional corps of agents, clerks, and others will be employed under the direction of the Committee, and the Committee will itself gradually become a board of inspectors. Such a Board should always stand between the Board of Directors and the Convention, as this latter cannot be readily assembled. It would make the organization too complicated to create a department besides the Committee,

and it therefore would seem as if this last ought to be a committee of inspectors, whose orders the directors must obey. Such power does lie with the Executive Committee, yet it is not so unbounded that it may not itself be under the supervision of the Convention. Moreover, the choice of auditors of the quarterly settlement lies with the Convention, and nothing hinders it from choosing those in whom it has confidence, whether on the Committee or not. These auditors hand in their report directly to the Convention, but are obliged previously to submit it to the Committee, that its errors may be corrected, or a rebutting statement prepared.

The Committee also has the power to regulate the methods of keeping the books, and to authorize certain of its members to inspect the books, and the cash and ticket accounts. It can hinder the execution of arbitrary or hurtful measures on the part of the Board by removing the members of it from office, and laying the matter before the Convention for final decision. On the other side, the Board can render all injurious decisions of the Committee nugatory, by referring them to the Convention, and leaving them unenforced until its decision is had. Thus each is a check upon the other.

The foregoing arrangement for the government of a co-operative society seems, in our opinion, to give the widest opportunity for the self-government of the individual members, without burdening the operations with too complicated machinery. While it is certain that no society can long exist without such self-government, it is also true that too precise regulations may easily obstruct the business.

With respect to section 19, which treats of representing the society in public, it may be remarked that the power therein delegated to the Board to appear for the society in all legal actions, is of little practical importance. In any suit, its authority is liable to be disputed by denying the authority of its rules, as well as the authority of elections under those rules, and it would not be easy to establish the proof of their validity.

Schultze-Delitzsch advised the credit societies, living under the Prussian code, notwithstanding the risk of invalidity, to draw up, among their regulations, a power of attorney for legal causes in the following manner: "The President, Cashier, and Chief Accountant, each on his own responsibil-

ity, is empowered to sue in the name and by the authority of the society, to join issue, to carry on the suit, to ratify contracts therewith connected, to give and demand oaths, to receive the final decision, to avail himself of all legal remedies, and even to substitute in all such transactions another attorney."

§ 20. OF DISSOLUTION.—*The dissolution of a society may follow a decision to that effect given by two Conventions assembled with an interim of four weeks. Such a decision shall require the votes of three-fourths of the members present. Any surplus or deficit remaining at liquidation shall be apportioned equally among the members.*

It is expedient, through a laborious routine, to render a premature dissolution of a society a matter of difficulty. Equal apportionment of surplus or deficit among the members, follows naturally from the constitution of a society which is grounded on an equality of rights and duties.

CHAPTER VII.

DIFFERENT KINDS OF BUSINESS, AND THEIR PECULIARITIES.

THE Co-operative Society may employ itself not only in furnishing, but also in manufacturing goods.

With regard to its principal object—the distribution of raw materials, this can be managed in three ways—at the risk of the contractor, at the risk of the member purchasing the goods, or at the risk of the society itself. In the following sketch we distinguish three principal methods—ticket-trade, commission-trade, and store-trade.

I. *The ticket-trade of a Co-operative Society.* The peculiarity of this is, that in case the members receive their goods through a contractor, the society makes a special arrangement with the contractor, which usually stipulates a stated deduction to the society from the selling price of articles. The contractors

look for their remuneration to the prospect that the society, by recommending them to its members, may afford them a large and steady custom. This ticket method has this advantage over a business carried on by the society on their own account—that, according to the principle of division of labor, each individual's operations are carried on in accordance with his own particular calling, and that for the establishment of such a society scarcely any capital is required from the members. On the other hand, it is to be considered that the ticket-trade is by no means so well adapted to unite the members firmly together, as the common possession of their store and stock of goods, and the consequent common risk. In the ticket-trade there is the more need of firm union among the members, since therein lies their only security that the tradesman will abide by his agreements. Often it becomes difficult to determine whether he takes merely the profit agreed upon, or whether he seeks to make up for the discount on his prices by the inferior quality, or unfair measurement of articles. For this reason the ticket-trade is to be discouraged, unless the contractors enter into an agreement beforehand to have the same price for all customers. Especially is great caution requisite in adopting this method, in cases where the article to be purchased is not kept on hand ready for sale, but furnished to order. Even in the case of articles whose quality is constantly varying, as for instance fresh meat, the ticket-trade has not always been found profitable. On the other hand, with articles which maintain a fixed price, as fuel, potatoes, bread, smoked or salt meat, this method has led to good results. Particularly with bread, the producer can afford to allow a considerable discount as a consideration for the large and steady sales resulting from his business intercourse with the society.

In 1865 the General Co-operative Society of Berlin did a ticket-trade of 14,694 thalers. Of this amount, 3,448 thalers was for bread, on which there was a discount of 568 thalers. The bakers made an agreement to deliver the bread at the members' houses, and allow a discount of about sixteen per cent. For fuel (principally coke from the city gas-works), there was paid 3,312 thalers, with a discount of over 78 thalers. The remaining 7,934 thalers was for meat (with from 6½ to 8½ per cent. discount), groceries (4 per cent.), trimmings and

linen goods (4 to 6½ per cent.), cloths (6½ per cent.), trade at eating-houses, bookbinders, hatters (8½ per cent.), &c., &c. The members of the United Berlin Societies now procure coke directly from the city gas-works, by tickets, at 25 per cent. discount.

II. *Commission-trade* is often carried on by the societies, in furnishing its members with a winter's supply of fuel. The coal can be brought from the mine by railroad, and as it passes through no intermediate hands, a large advantage may be thus secured. The Dusseldorf Society supplies its members in this way, by the car-load, at nearly the same price which it costs at the mine.

Sometimes the co-operative societies find opportunity to make special bargains at their own risk, without the use of their store or warehouse. Thus, for example, a ship's cargo of coal was bought in Magdeburg, and sold to the members, in small parcels, directly from the vessel.

III. *Store-trade.*—*The commodities which have proved to be most advantageous for the society's own store, are such as are universally and constantly wanted, occupy but little room, and can be kept for a considerable time without injury.*

Such are, in particular, groceries, as coffee, tea, sugar, rice, raisins, spices, &c.; and produce, as flour, meal, peas, beans, dried fruit, oil, &c. Also butter, cheese, and salt; and of manufactured articles, tobacco, vinegar, soap, soda, chocolate, starch, &c., as well as dried fish, &c.

The Zurich co-operative store, in 1864, sold as follows:

628,065 lbs. flour,	29,235 lbs. candles,
20,996 " oat-meal,	29,399 pints salad-oil,
29,521 " barley,	172,007 " lamp-oil,
59,373 " pastry,	27,511 lbs. tobacco,
45,151 " succory,	544,650 cigars,
176,148 " loaf-sugar,	16,366 qts. vinegar,
24,987 " candy,	45,234 boxes blacking,
183,227 " butter,	30,045 lbs. petroleum,
43,138 " lard,	136,660 boxes matches,
124,666 " cheese,	190 lbs. tea,
121,413 " soap,	349 " chocolate,
97,616 " soda,	4,857 " spices.

Of the above articles, the largest profit in proportion to the money invested, will be made on the so-called produce, and on the manufactured articles; less on groceries, and least of all on butter and cheese, which involve most trouble in buying them, and are most difficult to preserve in good condition. Yet it will, perhaps, hardly do for a store to be without these, and in many cases bread also, since people are in the habit of buying them at the same time with the other things mentioned above. It is decidedly a bad plan for a co-operative store to deal in other market commodities, such as vegetables, fruit, eggs, and the like, for they are troublesome to procure, and their risk of loss by decay is out of all proportion to the small profits of their sale. Potatoes, also, take up a great deal of room, decay easily, and cause the seller much trouble. Liquors should only be sold in quantity, and not to be drunk at the store. Beer, even when bottled, is subject to loss by spoiling. The Dusseldorf Society does a considerable business in the sale of light white wines and cheap red wines, but this requires special cellar-room. For two years past the Zurich Society also has been engaged in the wine-trade. Several societies have done a paying business also in the sale of manufactured Seltzer-water. The keeping of fuel demands a great deal of storage-room, and one or more special employees to attend to its sale. To deal in materials for clothing and bedding demands great discretion, on account of the variety in kind and quality needed by the different members; and this discretion is only gained after long experience. There may be, at special times, an opportunity for particular classes of articles, as before Christmas, especially in those societies where the customers are mainly of one class, and will demand the same sort of goods. This is true, also, of household stuff, such as crockery, &c., which, it is to be considered, takes up a good deal of room. As for trimmings and tassels, writing materials, &c., the demand for them is too irregular to pay for the labor of procuring, and selling, and burdening the account-books with them.

Every society should be careful to keep as few sorts as possible of things which serve the same purpose. The fewer the kinds, the smaller need be the stock on hand, and the greater will be the profit, on account of their quicker sale. A real

diversity in the wants of the customer must of course be provided for by a variety in the stock ; but to keep a variety merely for the sake of it, or to boast of, is unworthy of a co-operative society. It can only take into consideration the taste of the great majority of its members, and not attempt to suit every individual. In the matter of cigars, for instance, it is impossible to do a paying business, if the stock, for the sake of variety, must be a very large one. Out of many sorts of an article, let those be chosen which are the best for their purpose ; for instance, of all the kinds of oil, choose that which gives the best light. As a rule, it will be found, that without too much regard to a low price, those sorts which best answer their purpose are in the end the cheapest.

With regard to the *preparation* of necessaries of life by co-operative societies : this has, so far as we know, been hitherto confined to the baking of bread. Such bakeries have been established, or are on the point of being, at Zurich, Berlin, Braubach in Nassau, Duisburg, Petersdorf, and various places in England and the United States. A French Society is in operation in New York.

In Berlin, the United Societies failed in their attempt to follow a plan of buying flour according to the weekly orders of the several societies, and paying a baker a certain price for baking the bread and delivering it at the separate stores or individuals' houses ; but they have just established a bakery which is to be managed by a society organized for the purpose. Concerning the Zurich Society's bakery, their annual report makes the following statement : "The bakery is in active operation, and with better results than before. We have been enabled through the year, with a few exceptional cases of failure, to supply our customers regularly with fine bread, light and sweet, and the extent of our sales shows that the public is satisfied with its quality."

The contract of the Zurich Society with the baker is this : the society shall furnish work-room, ovens, and all necessary apparatus, flour, salt, and fuel ; the baker is to receive a stipulated price on every hundred weight of flour that is baked, and is to furnish workmen, pile and chop the firewood, unload the flour and fuel, bake and load the bread, light and take care of the shop. If the baker fails to make from a cwt. of

flour the stated number of loaves of a certain weight, or if he uses more than the stated quantity of fuel in baking a certain amount of flour, he is to make up the difference to the society. Damaged flour, and whatever fuel is saved, are to remain the property of the society.

CHAPTER VIII.

ESTABLISHMENT OF BUSINESS AND ACCUMULATION OF CAPITAL.

IN societies which transact business with their own members only, there is no need of any license from the authorities nor of any information to them. For since the operations of such societies cannot be legally considered public traffic, and while their managers are only acting as the head of a household does for the members of his family, the laws concerning license do not apply. In Prussia, it is true, several attempts have been made to subject the societies to the law concerning business licenses, or that concerning the retailing of liquors; yet the higher courts have hitherto sustained their petition to be exempt from all such laws, putting them on an equality, in this respect, with club-houses or private societies for recreation.

As there exists no legal obstacle, there can be no material one to the formation of a co-operative society, as long as its operations are limited to the ticket and commission trade. This assumes no particular number of members, and requires only enough capital to buy the account-books, tickets, etc. But a co-operative association does not begin an efficient existence until it opens a store; for even to a ticket-trading society, a store of their own forms a closer bond between the officers and members. Two things, however, must be well considered before opening a store—the prospective amount of custom and the requisite amount of capital. On entering upon a closer examination of these two requisites, we take for granted that the new society, following in the footsteps of all

others, will open stores with a stock composed of groceries and country produce.

Keeping a store requires a place of business and a salesman. The expense of these varies so much, according to locality, that no specific estimates can be given. As a general rule, in the United States, it would not be profitable to conduct a store unless the amount of sales, at retail rates, could be made at least ten times as large as the amount of running expenses. The average need of a laborer's household, in the articles mentioned in the last paragraph, would be, say five dollars in gold a week; so that on estimating the running expenses, multiplying them by ten, and dividing this result by five (or, to shorten the process, multiplying the number of dollars of estimated expense by two), would give the number of members needed for a profitable society among laboring men. Now we are well aware that several large societies began with slim sales. They took a single room for a store, had short business hours, and their salesmen either worked gratuitously or for small wages. But such limitations always presuppose a very generous spirit on the part of employees, and a lively interest in the buyers. Even if these virtues are present with the founders of the society, it is very questionable whether, with such a scanty beginning and so little inducement held out to buyers, a material increase of custom and a corresponding addition to the roll of members could safely be calculated upon. Many men are inclined to judge of a principle by the external appearance under which it goes into practical operation. Too often the zeal of the founders will suddenly grow cold if too great sacrifices are demanded from them individually, without a prospect of corresponding success. Still, it cannot be said that no store should be opened until the full number of members, as estimated, is obtained. A person's membership implies his promise of custom rather than the custom itself. A large part of the public will not join until after the store has been opened and the advantage of the plan tested. Not a few, too, as those residing in the immediate neighborhood of the store, will patronize the store on its own account, and not to support the principle on which it rests. All these facts should be considered, in calculating the custom the store is likely to receive.

Respecting an increase of custom after the store is opened, it may be remarked that one of the obstacles often in its way in large cities, is the difficulty of getting it fairly before the public. This may be avoided by a free distribution of printed lists of prices, and short notices in the papers. The public is pleased by the lists of prices all the more, because it gets few of them from the retail dealers. In this list, the design of the society may be stated in something like the following way: "The design of the Co-operative Store Society is to furnish necessities of life of a good quality to the families of its members on immediate cash-payment, and from the profits thus gained, to save up capital for each of its members. For this latter purpose, every purchaser receives dividend-tickets, indicating the value of his purchases: these are handed in on the last Saturday of every quarter, and on them the profits are distributed in due proportion. The duties of the members of this society consist in a weekly payment of (say fifty cents), until a share in the undertaking to the value of (say \$5) has been thus bought. The shares receive, every quarter, a premium of (say two per cent.)

"Any person can become a member by paying the first instalment of (say fifty cents), and by signifying his intention to join, in the store itself, at any time of the day. He actually is a member, and is at once admitted to the privileges of the store as soon as a vote, favoring his admission, is cast by the Board of Directors."

The expressions, "immediate cash-payment," and "sales only to the families of its members," will be particularly likely to strike the public eye. The price-current should also announce from whom tickets available at other stores (if any are used) may be obtained. Every two months a new price-current should be circulated: during the interval notices of changes in price may be posted in the store. The short notices in the papers may appear either as advertisements or as items of local news. The prices of particularly cheap articles should likewise be advertised from time to time. There ought to be sent to editors, for free insertion, a brief statement of the number of members, the increase of the sales, and the dividends declared, together with some remarks as to the conditions of admission. The assembling of a convention affords a good

chance for making the society more widely known, and the papers will readily make a short report of the proceedings, if they are notified beforehand.

All societies, imitating those of England, have refrained from the exposure of goods in the shop-windows for attracting customers. The goods so exposed would be likely to be damaged before they were tried. There should be on the outside of the store merely the sign, the price-current, and a neat and conspicuous copy of the regulations.

The second requisite for a store business is, as we have already remarked, a sufficient capital. This should be both fixed and circulating; the fixed capital is represented by the appurtenances of the store and warehouse, and the circulating by the cash on hand, and the stock of merchandise. The fixtures of the Zurich Society were estimated, on the 31st of December, 1864, at only 7,500 francs (\$1,425), distributed among sixteen stores and the bakery, although the account had been charged for wear and tear, during 1864 alone, with 2,911 francs. Apart from this, there were 622,332 francs (\$118,243) in real estate. The warehouse supplies had an aggregate value of 229,488 francs (\$45,897), being about 19 per cent. of the year's sale, which amounted to 1,230,239 francs, or \$233,745. In the new Hamburg Society, the value of the stock of goods on hand, on January 1, 1866, was equivalent to \$8,250, or about 11 per cent. of the year's sales, the aggregate of which was equal to \$78,350. In the Dusseldorf Society the gross proceeds of sales (17,713 thalers) showed a profit of 15 or 16 per cent. on the prime cost; in Mayence about the same, the net proceeds being 52,382 thalers. In Magdeburg, the proceeds were 15,326 thalers, and the profit only 7 per cent. In "The Bee," in Berlin, the proceeds were 11,472 thalers, and profit only 6 per cent. In the smaller Berlin societies, as "The Schultze-Delitzsch" and "The Trial," the profit fell to three or four per cent.; but in the very smallest, with annual sales of from one to three thousand thalers, it rose to 40 per cent. This great disparity is explained by the different methods of purchase, and the distance the goods are brought from—the latter being naturally the least in the large trading-towns. The minimum of the warehouse supplies depends on the smallness of the number of articles dealt in, the mini-

imum of the quantity of each article on hand, and the minimum quantity which can be bought at wholesale prices. With a brisk business, the stock on hand no longer equals the quantity originally purchased; for while nearly the entire supply of one article is yet on hand, hardly any thing is left of another.

For the reasons given, it cannot be calculated what is the smallest circulating capital that a society needs to begin with. With regard to the fixed capital, it may be determined with more accuracy, and it may safely be assumed that from \$150 to \$250 is requisite for the plain but suitable shelving of a store, and the other necessary fixtures and tools.

It should never be forgotten, that the whole of the fixed capital and a portion of the circulating capital should be made up by the regular shares of stock of the members. Enough of the latter should be held in reserve to protect the society against embarrassment in times of temporary stagnation of business, or whenever much-needed articles cannot be bought but for ready cash, and this has not sufficiently accumulated from recent sales. Schultze-Delitzsch has recommended that the stock capital of a *credit* society be 20 or 25 per cent. of its borrowed capital; and this is not too high a figure in determining the relative proportion of the share capital and the circulating capital of a co-operative society.*

In the 34 societies, whose balance-sheets were published in the annual report for 1865, the private capital was 24,993 thalers, and the borrowed capital was 35,477 thalers, or in the ratio of five to seven. The ratio would have been yet more favorable if several of the societies, as some at Berlin, and those at Rosdtzin and Königshütte, in Silesia, had not required a large capital on account of goods credited to their members; and if the Hamburg Society, already mentioned as the largest in Germany, had not reported the ratio of its private capital to its borrowed capital as 1,336 thalers to 14,792, a very unfavorable proportion.

* In the United States a higher proportionate share of stock capital, say from forty to fifty per cent., would probably be desirable. In fact, inasmuch as sales are made exclusively for cash, there seems to be nothing to prevent purchases being conducted on the same principle, in case the society is willing to wait for enough capital, to start the store, to accumulate. Probably enough discount could be obtained on goods purchased for cash to make it the cheapest way. There ought to be no reason to ask credit when there is no occasion to give any.

We would earnestly advise every society not to open a store until the shares amount to at least the value of the entire store-appurtenances, and to enough besides to defray the expenses of the first quarter, for rent and salaries. The Rochdale Pioneers even put by their savings for a whole year before they opened their store. Even should wealthy men offer to make up by a loan the deficiency in the capital, it would be better to stick to the maxims of frugality and caution. Otherwise the society is not founded on self-help, but on the benevolence of others, and is not thoroughly independent. The diminished self-dependence of the members is in itself sufficient to impair the chances of success. The members feel much more interest in the store, if they can say to themselves when they enter it, that in its shelves and counters lie property *of their own*. They have something to lose, too, from the start, and will watch their officers with a stricter eye, than if the want of proper management only endangers the prompt return of borrowed money; and it has been found by experience that where the opening of business is made to depend on prompt payments toward the shares, the dues are paid with greater readiness than after the store is in operation.

Outside capital can be acquired by the society in a twofold manner—by raising loans or by purchasing goods on credit. Of the 35,477 thalers of foreign capital employed by the thirty-four societies mentioned in the annual report, 16,529 thalers were in the form of loans, and 18,948 thalers in the form of goods bought on credit. The Hamburg Society operates with loans amounting to 9,734 thalers, and with goods bought on credit worth 5,008 thalers. The Zurich Society, at the close of 1864, had a foreign capital of 771,282 francs, all in loans, excepting a sum of 10,594 francs credited on the books to “various creditors.”

The method of loans is indisputably the best. Getting goods on credit makes the price depend on the seller's opinion of the solvency of the society. Purchasing on credit can work to the detriment of the society by cutting off its connection with dealers who sell for cash only, and may, in some instances, even serve as a pretext to the party who agrees to sell on credit, for short measure and weight. Cash purchases, like cash sales, are the most remunerative in the end, and the

societies must use every endeavor to avoid the credit system either way.

If at the time of making a purchase of goods, the buyer is not in a condition to pay ready cash, but claims a credit of say from three to six months, goods are sold him on the credit scale of prices, and a certain rate of discount is stipulated in the invoice, of which discount he may avail himself if he succeeds in procuring the funds necessary to pay the bill on delivery of the goods or shortly after. In deciding the point whether purchases effected in this way are more profitable than cash dealings, due consideration ought to be given to the fact, that the dealer is apt to overestimate the risk he runs, which will be greater or smaller according to the buyer's standing, and that, consequently, the invoice prices, even after deducting the stipulated discount, will still be above what he sells at for ready cash.

Frequently a part of the discount is lost in the inferior quality of the goods, in unfair weights, or in the general calculation of the price. This is rendered probable by the fact that many contractors make a still greater deduction for cash payment than is generally named on their lists, or allow the stipulated discount even on payment a few weeks after the delivery of the goods. The rate of discount granted must decide the practicability of borrowing money to enable the society to pay cash for what they buy.

Should the society seek still larger loans, it may fall into greater embarrassment than through buying goods on credit. This follows, from the fact that offers of loans to the retail trade are rare, since credit on goods is considered safer than a loan of equal amount. In favor of taking small loans from a larger number, is the fact that an opportunity for the satisfactory investment of small sums is, nowadays, not always at hand; and with small sums the facility of making a convenient investment is a consideration second only in importance to its safety.

The confidence felt as to the security of small deposits with the society is all the greater, since in the stock of goods on hand which the creditor uses every day, he sees a guarantee for his claim. The large Zurich Society, in 1864, received loans from 765 creditors; and the Hamburg Society, at the

end of 1865, had acquired loans to the amount of 9,734 thalers, by the establishment of a safety fund, into which deposits could be made of even a fraction of a thaler.

The Convention, according to our rules, must determine the total amount of the savings, deposits, and the conditions of their acceptance. The total amount will follow from the rules given above for the ratio of actual to borrowed capital.

Should more money be offered to the society than it has use for, it can then exact better terms of deposit. For the simplification of the accounts, it can reject all sums under one dollar, lower the rate of interest, and, what is more to the interest of its business, lengthen the notices of withdrawal of deposits. For deposits with credit societies, L. Parisius, in the eighth number of the *Brotherhood of the Future* for the year 1865, fixed the time of notice for sums of five thalers at three days; for those of 10 at eight days; for those of 50 at one month; and for larger amounts at three months. The Hamburg Society requires an eight-day notice for all sums under 25 marks (\$7.20), and one of four weeks for all larger sums. In general, it may be said that the length of notice should be governed by the ratio of the amount of the deposits to the proceeds of sale; that where the deposits, for example, are \$500 and the monthly sales are \$1,000, the average length of notice should be two weeks. It is assumed throughout, that the society has no creditors outside of the depositors, and buys no goods on credit.

Every depositor is to be furnished with an account-book, which contains a statement of the society's debts and the conditions of deposit prefixed, substantially as follows:

"——— (name), in ——— (place of residence), loaned this society on the day herewith given—(the sums credited in the books of the cashier). The undersigned, members of the Board of Directors, hereby promise, in the name of the society, to refund the sums thus loaned, either in whole or in part, on the order of the depositor; subject, however, to the annexed conditions, by which he is bound in every particular.

"——— (date).

Signed,

N. N. } *Directors of the*
O. P. } *Society."*

CONDITIONS.—The regulations respecting the acceptance, interest, and refunding of loans to the society may read as follows.

§ 1. Sums not less than \$1, and not exceeding \$50, will be received on deposit at all the society's stores by the cashier. Interest on such sums will be paid at the rate of (say $1\frac{1}{4}$) per cent., each quarter, on every whole dollar.

§ 2. Every depositor shall receive a book, under the stamp of the society, in which the general promise to refund on the part of the society must be written by the Director and Vice-Director, or by one of these, and an assistant Director.

§ 3. Every deposit and every repayment of the same, in order to be valid, must be entered in this account-book by the cashier, with his signature and the proper date, together with the counter-signature of a member of the Board of Directors.

§ 4. The society will return the deposits, through its cashier, only on presentation of the account-book given to the original creditor or his lawful representative. It has a right to ask that the party shall identify himself; but need not exercise the right except where a protest against payment has been made by the holder of the book, his heir, or other lawful representative.

§ 5. When an account-book has been lost, its owner must at once inform the cashier. The authorities thereupon advertise it, at the loser's expense, in a town or county paper* twice, with an interval of 14 days, specifying the number, name, and amount; and requesting the finder to present himself before the cashier within a month. If nobody appears, the book shall be null and void, and a new one given to the owner of the first; but in no case can the society be held responsible.

§ 6. Interest shall be cast at the expiration of every quarter, and be credited as a deposit. Interest shall be paid only at the expiration of the quarter. A lower rate of interest must be agreed to by the creditor, provided two notices thereof have been published six weeks previously in a newspaper.*

§ 7. The return of deposits can be demanded at any time, in whole or in part. The society can claim a previous notice

* In large towns, it would, of course, be well to have some special paper or papers designated as the vehicles of the society's regular advertising.

of three days for all sums of (\$5); of eight days for sums of (\$10); of 14 days for sums of (\$25); and of one month for sums of (\$50). Every notice must be handed to the cashier in writing. If the society desire to refund to a creditor, it must give him notice at least 14 days before.

§ 9. Repayments, as well as notices of withdrawal, and all other transactions of the creditor, must take place at the office of the society, and during business hours.

The smaller the aggregate of the deposits, the simpler the conditions may be. The following form may be found convenient for the cash-book :

DATE.		PAYMENTS.				SIGNATURE OF	
Month.	Day.	Deposits and Interest.		Amounts Withdrawn.		Cashier.	Director.
		\$		\$			

CHAPTER IX.

PURCHASE OF GOODS.

BEFORE we proceed to treat of the laying in of goods by the store, something should be said in relation to the manner in which the ticket-trade is carried on. The contractor, as has been explained, agrees, in return for the increased custom which the recommendation of the society

gives him, to sell to members of a society at a discount from his ordinary prices. It is evident that the profits of the contractor will be lessened, and consequently the discount to members must be less, if the society enters into such an arrangement with several rival tradesmen. This should never be done, except as the circumstances of the case may make it necessary; as, for example, where the members live too far apart to trade at the same store. The identification of members, and the settlement of the discounts, can be managed in two ways—by means of purchase-tickets, or by certificates of sale. The first method is most common, and consists in this: the members procure goods from the contractor, for which they pay by tickets of a fixed value, which they have previously obtained from the society. These tickets are redeemed by the society, at which time the discounts are reckoned.* The method of certificates consists in this: the tradesman makes out and gives to the purchaser a certificate for the amount paid him; and at stated times the society receives from the tradesman the fixed discount on the whole amount of these certificates. This method has the threefold advantage, that the members do not need to procure tickets before making their purchases; the society is spared the cost of the tickets and the risk of large money-transactions; and the tradesman is not obliged to give credit to the society for the amount of the tickets received from members until their redemption. On the other hand, there is this disadvantage in the method of certificates: the making out of these is a great trouble to the tradesman, especially when numerous small amounts are purchased by different members. Consequently he is tempted to persuade a customer whom he knows to be a member of the society, to allow him to throw off the discount on the spot, to save him the trouble of making out a certificate. In

* The system above proposed makes all the members share equally the advantages of the discount allowed on each member's purchases. It seems more in accordance with the general principles, for each member to have the benefit of all the discount on his own purchases, be they great or small. This could be accomplished by the society selling to the members, at a discount, tickets available at the outside stores. The outside tradesmen should take these tickets at their face value, and the society should redeem them from him at the same rate of discount that they allowed the member originally purchasing them. In a society doing an exclusively ticket-business, a fund to pay the expenses of management could be accumulated by selling tickets to members for a little higher price than that paid for their redemption from the tradesmen.

this way the intervention of the society between the customer and the contractor is lost ; and by frequently resorting to this plan, the trader may succeed in destroying the entire organization of his custom obtained through the society, and thus subvert the very foundation of the ticket-trade. The general ticket-trade society at Berlin seems to leave its members the choice between the use of purchase-tickets or of certificates. In the annual report of that society, it is stated that the method at first applied only to the trade in wood and peat—of allowing the members to pay the contractor on receipt of his certificate of sale, and to bind the contractor to allow the discount agreed upon on presentation of such certificates by the collector of the society—has worked well in all respects, and has consequently been extended to almost all other branches of their business.

With regard to the purchase-tickets, this caution is necessary : there must be special tickets, not for each contractor, but for each particular rate of discount. Otherwise, those contractors who had agreed upon a large discount, would be tempted to redeem their tickets through others whose rate was smaller.

The tickets may conveniently be of pasteboard. Some of the South-German societies use them with bronze facing, handsomely stamped, very neat, but somewhat costly.

The contract with the tradesman requires, besides the fixing of a rate of discount, only an agreement concerning the time for redemption of the tickets, or the settlement of the certificates.

Some time for notice of dissolution of the agreement between the society and the tradesman is generally fixed upon. This, however, is of small importance, practically, for the whole arrangement is, on the society's part, so much a matter of trust that it is better to break off with a tradesman entirely, if he is not disposed to continue the connection on the basis fixed. In the case of certificates, it is advisable that the contractor should make a written agreement with the cashier of the society, something after this form : " I, the undersigned, dealer in ———, pledge myself to pay, on the first day of each month, to ———, cashier of the ——— Co-operative Society, ——— cents on every dollar which has been paid me by members of the society, as shown by the certificates made out by me."

The most important question concerning the purchase of goods by the society is the quantity of *each separate* purchase. The minimum of supply ought to be set down at a figure determined by the usual demand for the article ; and the supply of all goods which cannot be bought ready made, but which are manufactured to order, must be such as to hold out until a new order can be given and filled. Many societies go far beyond this minimum, because they erroneously suppose that they must look for their advantage, and take their pride in the greatest possible invoices. This idea is a false one, as the advantage of co-operative societies over individual retail-dealers is not secured by the amount of their purchases so much as by the manner in which they dispose of their goods. In every case the society must make a careful calculation of the maximum of stock which is safe for it, and weigh the inducements for exceeding the minimum, and purchasing up to this maximum.

The maximum of purchase must be in proportion to the available means, whether these be cash or credit. It must also be influenced by the greater or smaller lapse of time within which there is no probability of a considerable advance or decline in prices. So soon as a store makes the amount of its purchase greater in expectation of a rise in prices, it has gone into speculation, and speculative operations are not within the sphere of a retail business, and should especially be avoided by a co-operative society. One may speculate with his own money, but not with other people's. He who does the latter is too much inclined to look only at the chances in his favor, and not at the risk, and so fails. To carry on a speculative business with safety, moreover, requires a quickness of decision and suddenness of action impossible to the managers of a society, unless the whole weal and woe of the society were to be placed in the hands of one man. It is necessary, too, that the persons who are to decide on the amount of purchase, in such a business, should be familiar with its minutest details, so as not to overlook the causes which tend to produce a change of wholesale price, nor to trust blindly, in regard to the probability of such a change, to the statements whispered in their ears by interested contractors or agents. Between the maximum of

purchase, limited by the temptation towards speculation in changing prices, and the above-mentioned minimum, lies, in most cases, a wide margin for careful calculation. A low cost-price tempts to an increased purchase, and is, perhaps, for this reason, too much sought for. The difference in price between a large and a small purchase, available for the store, is at the point where the unit of measurement or weight of goods at wholesale begins. For most commodities, this unit is the hundred-weight. In many cases, the unit for packing and transporting is larger than that used in reckoning. For instance, the price of coffee is reckoned by the pound, while it is purchased by the sack. Sugar is reckoned by hundred-weights, but purchased at wholesale by the cask. In such cases the cheaper price commences with the so-called original package, since every repacking involves greater labor, more waste, and a greater number of packages continually. The difference in the original cost of an article, whether bought at wholesale or in small quantities, is not always clearly established by the price charged in the invoice, but is, in many cases, to be found in the increased charges for boxing, cooperage, cartage, &c., and in the difference in terms of payment.

Beside the unit of purchase, in wholesale transactions, the unit of transportation is to be considered. This is usually the hundred-weight ; so that even a less weight than this pays the same freight.

Whether you buy one, two, or three units at once—for instance, one, two, or three sacks of coffee—makes no difference in the price, as a general rule. You can only make a difference by buying ten or twenty sacks, casks, &c. In like manner, freight becomes cheaper only by the wagon or car load.

Over against the abatement of price obtained by the purchase of large amounts, is to be set the greater loss in interest on the capital invested in the goods, and in their deteriorated quality from the time of purchase to their sale. The loss in the goods themselves is especially great with those commodities which dry up while lying in the warehouse ; as, for instance, soap, cheese, and fruit. Such things as butter are rendered wholly unfit for use by keeping on hand too long.

The loss of interest on goods lying in the warehouse, must be reckoned as at least 10 per cent. per annum.* If, for instance, a co-operative store use every month ten loaves of sugar, these ten loaves of sugar, if purchased in one lot, remain stored during an average of one half of a month, and thus involve a loss of interest (assuming the invoice cost of a loaf of sugar to be \$3.50, and the annual rate of interest 10 per cent., as above indicated) of a trifle over $14\frac{1}{2}$ cents. But if the society purchase 50 loaves at once, the average time they remain on hand unsold will be $2\frac{1}{2}$ months, which would imply a loss of interest on each dollar invested of $2\frac{1}{2}$ cents; and as 50 loaves at \$3.50 cost \$175, the loss of interest would amount to \$3.64 $\frac{1}{2}$; so that the discount allowed by the dealer on the wholesale purchase of 50 loaves, must be at least \$3.64 $\frac{1}{2}$ less $14\frac{1}{2}$, or \$3.50, in order to warrant the wholesale investment. Irrespective of this, however, the loss by waste and the deterioration of quality ought to be taken into due consideration.

Another point of almost equal importance with that of the quantity to be purchased is, the *place* of purchase—i. e., the more or less direct obtaining of the goods. Here, too, it is difficult to lay down general rules, and it must be left for careful consideration in each particular case. The advantage gained by direct purchase is often overestimated. The cost of the intermediate operations through which the goods have passed in indirect purchase, does not wholly fall on the selling price: part of it is covered by the discount at which the intermediate operator got them by taking wholesale quantities; part by the less freight paid in transporting them by the car-load, and so on. In order to judge of this question correctly, it is necessary to consider as a part of the real cost-price in direct purchases, all the particular expenses of the goods till they reach the store—the increased freight, &c. The difference in favor of the direct purchase, after including all these, is to be offset by the greater trouble, risk in transportation, loss of interest, and injury to the goods involved in the larger purchases by the direct method. The more active the local trade of a place is, either in consequence of lively

* It must be borne in mind that money when employed in business is worth more interest, than when simply invested by a capitalist in some perfectly secure manner.

competition or the important dealings of single merchants, the more these latter considerations will balance the difference otherwise existing in favor of direct purchases. For co-operative societies in large cities, therefore, it will not perhaps prove as much a matter of importance and advantage to make direct purchases, as it must be for those started in small out of the way places.

In classifying the different kinds of goods which are most profitably bought by direct purchase, we put down, first, all "manufactured articles;" then, "country produce and provisions;" and lastly, the so-called "foreign produce" and general groceries. The places for the most direct purchase are—for manufactured articles, the factories; for country produce and provisions, the principal market in the part of the country where stock, grain, &c., are raised for export; and for "foreign produce," the seaports into which it is carried by the cargo. Current wholesale prices can be obtained from the newspapers.

As regards the proper parties with whom to enter into business connection for the purchase of goods, it will be advisable to select the largest and most respectable firms, as fair dealing on their part may be almost invariably relied upon. Should any doubt arise as to the character and standing of a commercial firm located at a distant place, it would be best to request the desired information through a co-operative society (if any such is in existence at the place in question), or to open business intercourse through their introduction. No society, knowing its own dependence on such information and aid, will refuse such a service to another.

The contractor should in no case be a dealer who is at the same time carrying on a retail trade, since this would injure the society in the eyes of the public; and, moreover, the retailer is the natural enemy of the co-operative store, and a connection with him is not likely to be of real service. With regard to articles for which there is a special demand at particular seasons of the year, the time for first ordering should be at the point where the price has become settled for the season. Except for peculiar reasons, the society should not change its contractors.

As to the manner of ordering goods, it is not customary for societies to order through a travelling agent; for the time of

ordering must not depend on the interval at which the agent happens to come round, but upon actual need, and a previous resolution by the Board of Directors. For the form of the order, see Chap. XII.

No goods should be received unless accompanied by a bill of lading giving at least the gross weight of the whole. Before opening the packages, &c., the correctness of the gross weight must be proved. If the goods have been sent from some other town, they should be examined as soon as possible (consistently with orderly business arrangements), and if they are found not according to contract, the seller should be at once advised of it. If this is neglected, the goods must be considered as accepted, so far as any defects are concerned which could be discovered by ordinary examination on their arrival. If other defects subsequently appear, notice must be given to the seller immediately on their discovery; otherwise the goods are held to be accepted, even in regard to these. If the purchaser does not accept goods sent from another place, he is bound to take care of them for a reasonable time, till they can go back.

The payment for all goods ordered should be made punctually, fully, and by safe means. If one expects good faith, he must show good faith. The payment is remitted at the expense of the creditor.

In many cases the contractor takes his pay by drawing on the society. In this case the money is paid when the draft is presented. If it is presented before due, the cashier must honor it with his acceptance. In sending a remittance through the post-office, post-office money-orders are vastly preferable to cash.

A favorite point of debate with co-operative store societies, is in regard to the feasibility of combination of several societies for the more advantageous purchase of goods. Practically, such combinations have been chiefly confined to the reciprocal interchange of information regarding the best markets for purchase, and recommendation of dealers. In case a society make use of the recommendation of another, it is best to expressly mention this in making an order. For if the wholesale dealers understand that there is such a combination among the societies, they will be the more anxious to secure

the custom of each particular one. Where there are several societies located in one town, near each other, one of them has sometimes bought particular articles for another, at the same time with its own purchases. But, as a general rule, such common purchases are found to be inconvenient on account of the different times of needing things. The attempt to avoid this difficulty by establishing a central warehouse, has not been successful, owing to the cost of such storage-room and its care, and also the inconvenience to the separate societies of being obliged to take what they need from this place. A great objection to having a central warehouse for several societies in different towns, is, that the most natural and cheapest points from which to obtain goods, are often in quite different directions for the different societies. The societies of the North of England have, however, as was mentioned in Chap. I., successfully established a central society for procuring goods, and for their distribution at wholesale, which had, in 1865, with a capital of about £9,200, a sale of about £142,000, which was a great advance over that of the previous year.

The store should present an attractive appearance, outside and in, and invite custom by its neatness and order. Concerning its exterior, and especially the undesirableness of show-windows, see Chap. VIII.

CHAPTER X.

SALE OF THE GOODS.

THE details of the sale of goods present countless opportunities for the display of judgment in the arrangements of the store. As far as the quantity for sale is concerned (by which we mean the smallest quantity of any article sold), it is evident that the smaller the quantity the greater the labor and expense for unpacking, and the larger the percentage of waste of various kinds. The bad economy of the public, and the lack of system both in selling and in the management of

household expenses, are to blame, if, notwithstanding the dealer's loss in those goods needed in every family, sales adapted only to the moment's requirements are desired, as a couple of ounces of coffee or sugar, or a half-pint of oil or vinegar. It often happens that women, without thinking how much time they lose, go to the store several times a day to make penny purchases. The smallest quantity of the most common articles kept on hand by co-operative societies must depend on their minimum consumption in a family for one week. The weekly payment of wages gives, even the humblest laborer, the ability to buy meal by the pound or quart, coffee and sugar in quantities of a quarter of a pound at least, and oil by the pint. At the Zurich Store, coffee, sugar, rice, barley, grits, and pastry are not sold in quantities less than a pound. Such things as sausages should be sold by the piece, on account of avoiding injury to what remains. Another advantageous habit connected with the sales, is to parcel out the different articles before the customers begin to arrive, inasmuch as it can thus be done with more exactness and less trouble. The hurry usually inevitable at such times tends, in no small degree, to augment the wastage. Instead of every moment changing weights and measures according to the wants of the customers, the clerk can, with the same weight or from the same bin, take out, measure, and weigh off a great number of quantities of different size, according to the customary demand for the articles in question. This parcelling out beforehand is all the more necessary since the throng of customers is not uniform on all days, or at all hours of the day.

It may be urged, perhaps, against this plan, that it excludes the buyer from satisfying himself of the fairness of the salesman. But this advantage is only nominal. The unfairness must be very gross that can be detected by the buyer, in the rapid movements of the salesman, while customers are pressing up toward the counter. A previous apportionment is rather the means by which the supervisors of the store can discover any unfairness. Supposing a dozen pound-packages to be lying on the scales, the slight errors that might occur in weighing them one by one will now balance each other, and any considerable deficiency yet remaining is evidence of a pre-meditated attempt to cheat. In confirmation of this, it may

be stated that an examination of articles previously measured out, in a store with which the writer was connected, led to the dismissal of a salesman who had been in the employ of the society ever since its establishment.

Although previous measurement is more difficult in the case of liquids purchased by the jar, bottle, or glass, which had been gauged beforehand, the difficulty may be obviated by requiring the customer, on his second purchase, to bring back the measure first taken, in return for the new one. This plan has been found to work well in sales of wine, seltzer-water, kerosene, and mustard. In the matter of kerosene especially, it can be at once seen how greatly the sale is facilitated by this method, how the disagreeable smell of the oil is to a large extent avoided, and the danger of fire diminished.

Boxes and wrapping materials should be bought in quantities from the manufactories or larger trading-houses.

Measuring out the articles, as has been suggested, makes it likewise possible not to weigh the wrappers with the goods, but to rest the price solely on the net weight. This is the only way by which the buyer can have any decided influence over the salesman. We give, in this place, a schedule of rules to be observed by the buyer and seller, which it would be well to have posted in the store.

§ 1. BUSINESS HOURS.—The store is open during the winter, from 7 A. M. to 1 P. M., and from 2 till 8 P. M.; during the summer, from 6 A. M. to 1 P. M., and from 2 till 8 P. M. On Saturdays, till 10 P. M.

§ 2. CLEANLINESS.—The salesman and his assistants shall appear in the store cleanly and decently clothed at all times. The children of the salesman shall not be allowed in the store, unless on business.

§ 3. ATTENTION TO CUSTOMERS.—The salesman shall wait on all customers with courtesy, in the order of their arrival. Fees to the salesman are expressly forbidden.

§ 4. IDENTIFICATION.—Each customer is required, when requested by the salesman, to show, by exhibiting a member's card, that he belongs to the family or household of such member.

§ 5. SELLING-PRICES AND QUANTITIES.—The selling-prices of each article, and the minimum quantity which can be pur-

chased, shall be stated on a price-current posted in the store. The price shall depend in every instance upon the net weight, no box or wrapper being weighed with the article purchased.

§ 6. APPORTIONMENT.—Buyers have a right to demand that the various articles shall be weighed or measured out in their presence.

§ 7. PAYMENT.—The salesman shall allow no article to leave the store until its price has been paid in cash. Government coin, and the paper-money received at the public banks, shall alone be received in payment. When a deduction is made on a large purchase, a receipt shall be given therefor by the buyer, according to a form furnished by the salesman.

§ 8. DIVIDEND TICKETS.—The salesman shall give the customer dividend tickets equal to the total amount of his purchase.

§ 9. COMPLAINTS of the salesman, or of the quality or price of the goods, may be verbally made directly to the undersigned members of the Board of Directors; or in writing, by means of the complaint-box, to the President of the Executive Committee.

(Date and signatures of the members of the Board).

In relation to the hours of business, no general objection has been made to the plan of closing in the afternoon on holidays, and of giving the salesman and his family a rest of an hour in the afternoon on working-days, and of two hours in the evening on holidays. No difficulty has been found in carrying this into effect, and it has caused no detriment to the business.

Another regulation, very beneficial for the retailer, concerns the non-acceptance of foreign notes, notes of private banks, and interest-coupons. Receiving such representatives of value causes great annoyance, and often absolute loss to a retailer, in getting rid of them again. In this, as in other respects, it behooves the co-operative society to be pioneers of reform.

Societies, whose members live in distant parts of the city, have sometimes agreed to call for orders once a week, and to take the goods to the houses of the members. In such cases, the goods are weighed and done up in the store, and sent to the customers in close hand-carts built for the purpose. Agreeably to the principle of cash payment, no goods will be

delivered by the messenger until the price charged in the order-book has been paid in full.

The warehouse and sale-rooms should not be together, so that the latter may not have supplies for more than two days arranged so as to expedite the sales. As the business expands the warehouse should be entirely separate, and from it a second store, in another part of the city, may be supplied. If several stores are needed, a central warehouse should be established. In this way the warehouse will need separate books, and a particular overseer. The apportionment and wrapping up of the articles will then be done at the warehouse, so that certain goods will be delivered to the salesmen only in sealed packages. The erection of a central warehouse especially facilitates a closer watch over the salesmen and the corps of employees; for exact account is kept of all goods that are sent out, and it can thus be determined how much a package loses by storage and by measurement in retail dealings.

This plan has been best carried out by the large Zurich Society. Here, in 1864, nineteen stores and a bakery were supplied from one great central warehouse. Independent of the supplies thus furnished to their own retail stores, the whole-sale dealings from the central warehouse to outside dealers, during the same year, amounted to 278,215 francs (about \$50,000). Its stock, on the 31st of December, 1864, amounted to 114,013 francs (over \$20,000), while that of the nineteen stores amounted only to 56,590 francs (\$11,000), an average of less than 3,000 francs to each. Here coffee, sugar, rice, barley, grits, and pastry were put up in pound packages by four weighers. Soap, too, was weighed, and the price marked on each bar. Flour, butter, cheese, oil, and soda were sent to the store by the hundred pounds. Thus it is explained how, in each of several stores, the work could be performed by one woman, although the sales, in some months of 1864, rose to 8,800 francs. In the central warehouse a separate book is kept, in which the invoice weight of each package is entered, together with the aggregate weight obtained by weighing out and doing up in smaller quantities. The waste in doing up coffee, sugar, barley, grits, and pastry in pound packages amounts to one or two per cent. The salesmen make known

their wants to the warehouse inspector by entering them in an order-book, and afterwards in another book acknowledge their receipt. Flour and corn-meal are delivered in 200-pound sacks, and reckoned at 198 pounds; wheat-flour in 100-pound sacks, and reckoned at 99 pounds; lamp-oil and soda are delivered at 101 pounds, and reckoned at 100 pounds. A waste of 2 per cent. in butter and 3 per cent. in cheese is also allowed. At the end of each week, the inspector of the central warehouse makes out bills of all goods delivered to the different stores during the week, and, after getting them signed by the respective salesmen to show their correctness, sends them to the counting-house. The warehouse inspector has under him four weighers, two stevedores, and two draymen.

The particular arrangement of the warehouse-rooms must, of course, depend upon the goods to be stored in them. Flour, and other such things, must be kept in a dry and well-ventilated place; while casks should lie in a damp place, to prevent them from becoming leaky. The inspector ought to examine the condition of the goods frequently, and at once make known any damage to them. The very smallest society should furnish its warehouse with scales for ascertaining the weight of articles when brought for storage. Finally, a moderate insurance against fire should never be forgotten.

The first rule in the arrangement of the store is to separate the space devoted to the act of selling from the goods themselves, so that the salesman, in his busy moments, may not be compelled to trust too much to the honesty of his customers. All things should be placed in ways most convenient for the salesman, in order that as large an amount as possible may be sold by one man. The money-drawer, and the drawer of dividend tickets, should also be near at hand. In many stores there are open bins for flour, &c.; yet all such contrivances to attract customers are injudicious, since the articles are exposed to dust and waste.

Societies ought to be on their guard against buying second-hand store-furniture because it is cheap.

The store need not be situated on a principal business street, since it is not to depend on the custom of chance passers-by. Yet, in large towns, where the proverb, "Time is money," is especially true, it should be easily accessible to the members;

if possible, near the central point of their homes, or in the neighborhood of some frequented market-place. It is well, moreover, to locate the store in some new portion of the town where a rival retail-trade is not much developed. A back room is a bad place for it, especially if the passage through the front part of the building is none too clean or convenient.

The multiplication of places of sale should be made a special object. A great portion of the public will only be won to the cause of the society by the convenience of having a society-store near at hand. The increased sale consequent on this multiplication will often enable the society to buy in larger amounts and more profitably, to pay better wages to its employees, and to have the benefit in many ways of a division of labor. These advantages are by no means offset by the increase of expenses in proportion to the sales, which sometimes shows itself on the first opening of a new store.

It is, of course, of the greatest importance to *select the right persons for employees*. A single mistake in this particular may be the death-blow to a young society. The first requisite is that they shall be persons of integrity and honor. Even with those who are already employed by the society, the utmost strictness must be used, and the first sign of anything dishonorable should be the signal for dismissal. The employees must be active physically, quick and sure at figures, especially at mental arithmetic, and used to intercourse with the public. It is not important that they should be familiar with any branch of trade : the experience demanded by their particular position soon comes. Persons who have been long engaged in ordinary retail-trade are seldom desirable for a co-operative store : they are likely to be too independent of the regulations, and they bring with them bad habits of business, which are hard to shake off. It is well for a new society to choose for store-keeper a married man, with not too large a family, so that his wife can help him at times when there is an unusual press of customers. It would be cheaper to employ unmarried women in the store, but this is only practicable where, as in Zurich, the heavy work is done at a central warehouse. The store-keeper should not be a near relative of any of the officers of the society, especially of the president or cashier. On engaging a salesman or store-keeper, the society must demand

security from him. Several societies have sustained heavy losses by not strictly adhering to this rule. The security should be given either in cash or in values which can be readily converted into cash, or else in a bond from thoroughly reliable parties. In Zurich, the salesmen have to give security to the extent of 3000 francs, every laborer in the central warehouse 500 francs, and the clerk or inspector of the warehouse 5,000 francs.

The greater the necessity of strict integrity in those employed in the store, the more does wisdom demand that these persons should receive sufficient salaries, and not be tempted to make up their proper wages from their opportunities in the store. Nothing has been more clearly proved by experience than the miserable economy of stinted wages. Those members of the Board of Directors who are from the laboring class, and have but a small income themselves, are specially liable to err on this point. The salary of those in the store had best be given in the shape of a fixed monthly sum, with a percentage on the amount of sales. This percentage, proportioned to the extent of the person's duties, makes it the seller's interest to properly treat and deal with his customers, and thus secure an increase of sales. To make the whole salary consist of such a percentage, is to make the seller share the risk of the business. This risk, as a general rule, no one will be inclined to assume, except on condition of a higher percentage than he would otherwise demand.

The plan of allowing the store-keeper to live in the same building has its advantages in securing the goods against burglars; but on the other hand, the household affairs are apt to encroach on the space devoted to business, and the family kettles are brought into too tempting proximity with the provisions of the store.

In case of the dismissal of the store-keeper, a longer notice than four weeks is not desirable, since it is bad policy to have a man giving only half his energies to his work during a longer time than that. As a rule, it will pay to give him his salary for the whole four weeks of the notice, and discharge him as soon as a person has been found to take his place.

In cases of dispute between the society and the store-keeper at his departure, the points in dispute should be left to the

arbitration of two persons mutually agreed upon, whose known character and discretion are such as to insure justice.

The contract between the store-keeper and the society should be something like this :

“The following contract is concluded between A. B., Director of the —— Co-operative Store Society ; C. D., Vice-Director of the same ; and E. F., the store-keeper of the same.

1. E. F. assumes the management of a store of the society from —— (date.)

2. In this office he pledges himself to take good care of the goods and tickets which he shall receive from the society, to manage the sale of same in all respects as directed by the officers, and to pay over the proceeds of such sales.

3. He is further pledged to receive the applications for membership, the dues and other moneys paid in, and to make payments, as ordered by the cashier, from the cash of the store.

4. For every injury which the society incurs from the neglect of duties prescribed in sections 2 and 3, he shall be held responsible to the society. He shall receipt for all goods, tickets, moneys, and fixtures given into his charge ; and in case of any defect in or injury to them, he shall be held responsible, except it be a matter over which he had no control, as the loss by drying up, and other things dependent on the nature of the articles. For such he is not to be responsible, unless the loss exceeds a certain percentage to be specially agreed upon.

5. He shall keep the store open in the winter from 7 A. M. to 1 P. M. ; and in summer from 6 A. M. to 1 P. M. ; and in the afternoon from 2 to 8 ; and on special days, as holidays, at such hours as are customary on those days.

6. He shall see that the floor, counters, windows, and all parts and appliances of the store are kept clean, and that it is properly lit and warmed. Materials for cleaning, lighting, and warming shall be furnished by the society.

7. For all goods taken by him from the stock of the store he shall pay the ordinary price, and keep account thereof in a separate book. He shall not receive for such purchases any share in the dividends on sales.

8. He shall receive a monthly salary of \$——, together with

— per cent. of all the proceeds from the sale of goods, and other receipts of the store as managed by him, whenever such proceeds and receipts exceed the sum of \$—— quarterly.

9. He shall receive no gift from any member or contractor of the society; and his doing so shall be looked upon as evidence of some dishonesty on his part.

10. Either the society or the store-keeper may annul this contract at the expiration of a month, after giving written notice of such intention on the first day of that month. But should he at any time be guilty of dishonesty, he may be dismissed at once. If the society suspect any dishonesty or notable dereliction of duty on his part, it may suspend him from his office till the matter can be investigated: another person filling his place. In case he is proved innocent, the cost of such investigation shall be borne by the society: otherwise, by himself.

11. He shall deposit with the society, as security for the proper discharge of his duties, the sum of \$—— (or such other security as may be agreed upon). This shall be held for all deficiencies, losses, injuries, &c., sustained through him. This sum shall have an interest of —— per cent., and shall be paid back at the end of two months after the expiration of the contract.

12. Wherever in this contract the society, or the Board of Directors, or the Director and other officers are mentioned, the store-keeper shall consider as such those persons who are named to him as such by the above parties to the contract, A. B. and C. D. To these latter he is responsible for all the duties undertaken in the contract; and they are to hold him bounden to them for all the obligations which he assumes toward the society or its managers. In case either of these two parties resigns his office or dies, they, or the remaining one of them, shall indicate to the store-keeper the person who will take the vacant place. In such a case, the store-keeper shall make a written addition to the contract, including this new person therein. For a failure to do so, he may be dismissed from his position.

13. If, while this contract is in force, there shall be a dispute between the contracting parties, concerning the salary, or the inventory, or any part of the business, the store-keeper

shall have the right of appeal to the Board of Directors. He shall submit unconditionally to its decision, without any litigation. If at the expiration of the contract there shall be any dispute concerning the settlement of accounts, or the paying back of the security, &c., it shall be decided, without litigation, by arbitrament. Each of the disputing parties shall choose an arbiter from among the members not belonging to the management of the society, or from among the officers of some other society. These two arbiters shall agree upon an umpire, not necessarily from the members of the society. These three persons shall give a decision which shall be final. Should either of the disputing parties (after the other has selected his referee) delay to select one on his own part, then the referee already selected shall demand that another be named within three days: if this be not done, he himself shall name the second referee from among the officers of some other society. If these two cannot agree upon an umpire within three days, his selection shall be left to the Executive Committee.

14. This contract is executed by both parties, in one original and one duplicate.

Witness :

(Here follow date, signatures, and seals.)

CHAPTER XI.

ON BOOK-KEEPING IN CO-OPERATIVE STORES.

THE following rules for the keeping of books are intended to serve as a guide for a small co-operative society transacting business in one or two stores only. As the fundamental principle remains the same everywhere, however, these regulations may prove instructive for those also to whom the books of a larger concern are intrusted. The author himself has become familiar with book-keeping in the store of a co-operative society, and has endeavored to harmonize the mercantile way of keeping books, by double entry, with the special-

ties which experience has proved to be particularly adapted to such societies. The following method has been practically and successfully tested in co-operative stores, and its simplicity makes it intelligible even to those who have not previously received any commercial training.

In laying down this system, it is presupposed that the sale of goods, the manual labor in the store, and the keeping of the books, are attended to by separate persons. Without this strict division of labor, an efficient control of the business would prove impossible. In smaller stores, however, the accounts of the society may be properly kept without requiring the constant attention of the accountant; and while he can make himself useful in the store during the greater part of the day, an hour or two in the afternoon will be found sufficient for the posting of his books and the discharge of his other office-duties. On the other hand, we must earnestly protest against all portioning out of the *book-keeping proper*, in large societies, among different employees, as this precludes all possibility of the punctual and orderly discharge of the duties requiring attention in a counting-room. It is equally out of place to appoint a special superintendent for the control of the book-keeper, inasmuch as it is made the distinct duty of the Director to exercise such control. Ample opportunity for it is given him through the abstracts from the books which he is bound to make at the end of each month, and which, as specified below, he has to submit for approval to the members of the society at their regular monthly meetings.

I. ON BOOK-KEEPING IN THE STORE AND WAREHOUSE.

A. *The Store-keeper's Account.*

The store-keeper can only receive such goods into the store and warehouse as are accompanied by an invoice, or bill of lading, in which their quantity, at least, is stated. Immediately on arrival of the goods, he should see that they tally with the packages mentioned in the bills of lading, and that their gross weight and measurement also correspond with the accompanying documents. This proving correct, he may open the packages, examine the quality and description of the goods; and if he find no reason to take exception to the

same, he can either assign them a place in the warehouse, or if immediately needed, deliver them to the store for distribution. Should he find them short in weight or measurement, damaged, or of a quality inferior to what they are represented to be, he should call one of the Board of Directors to his assistance, and not remove the goods until the amount to be claimed on account of the discrepancies has been properly estimated, and a memorandum made on the bill of lading or invoice.

It is the duty of the book-keeper to visit the store and warehouse daily, at a time when there is usually no rush of customers, so that the sale of goods may be in no way interfered with by his presence, and the employees be at leisure to receive instructions and give the information he may require. The store-keeper hands him the invoices and bills of lading of all goods received during the day : these are examined and entered on the store-keeper's account in duplicate, one of the books remaining in the hands of the salesman, while the other is taken in charge by the book-keeper or cashier. The net quantity of the goods, if it can be immediately ascertained, is entered on the books. But, in case an article is retailed out of the original package, the net weight or measurement of goods is entered according to the invoice, and the adjustment of any difference between actual tare and the tare allowed on such invoice, is provided for by subsequent special entry on the books as soon as the empty package may have been weighed. Corrections on the books must never be made by erasures, but by a correct entry on the same side of the book on which the erroneous entry stands, and by a counter balance of said erroneous entry on the opposite side of the account. The net weight of the goods being charged on the store-keeper's book, the percentage of weight to be allowed for drying up, waste, and loss in measurement in retailing, has to be stipulated, with the express understanding that the deficit resulting from the above causes has not to be accounted for by the salesman when an inventory of stock is taken. In cases where the wrapping-paper is weighed with the goods sold, there is probably no cause for such an allowance : but this practice of counting wrapping-paper as merchandise is not advisable.

Some societies make an average allowance on all goods indiscriminately, even on those where no loss can actually occur—

as, for instance, on cigars, matches, &c. This average percentage varies in the different establishments from 1 to $1\frac{1}{2}$ and even 2 per cent.; and, as its allowance is always more or less arbitrary, it must appear preferable to grant such a percentage on only those articles which actually lose in retailing. The rate of percentage covering, or at least approximating the loss incurred, will be easily ascertained by experience. On coffee, rice, flour, and sago, 1 per cent. will have to be allowed; on oil, from 2 to 3 per cent.; on lump-sugar, 3 per cent. The loss on some articles is materially affected by their being systematically measured out in a number of portions (pound packages, for instance) at one time, or being hurriedly put up piecemeal as called for. On this point, see preceding chapter. To estimate the loss incurred by drying up, is more difficult, as it is materially influenced, first, by the length of time the article remains on hand; then, also, by the more or less dry condition of the goods at the time of delivery to the society; and, finally, by the dryness of the atmosphere in the store and warehouse. Losses from drying up are more particularly incurred on butter, cheese, and soap. On butter, if remaining on hand during an average of three days, 3 per cent. will have to be allowed; on cheese and soap from 5 to 10 per cent. It is recommended to cut cheese, soap, and meat in salable pieces as soon as delivered by the contractor, and to mark on such pieces their weight and corresponding value. The loss by drying up has, in such cases, to be sustained by the purchaser. By deducting the aggregate quantity of losses allowed, from the aggregate quantity of goods delivered to the store, we ascertain the quantity of goods which is to be charged to the salesman at prices stipulated by the Board of Directors. As often as a page on the debtor-side of the store-keeper's book is filled by such entries, the salesman has to certify their correctness on the duplicate book, which constantly remains in the hands of the book-keeper. During his daily visits to the store, the book-keeper charges all goods received to the store-keeper's account; the store-keeper then hands him receipts for all disbursements the salesman may have made from the drawer. The salesman is not allowed to pay any bills of consequence, unless they are receipted by the party to whom the money is due. If no bill is presented, and no receipt given,

on account of the insignificance of the amount claimed, the salesman should make a memorandum of such payments on a slip of paper, which he hands to the book-keeper after certifying the correctness of the claim on which payment was made. The salesman is not allowed to make any but small and necessary payments, unless previously authorized by the cashier. Any goods taken from the store for office or store use have to be considered just as if purchased from another establishment, and a receipt has to be made out for the quantity taken, and handed in to the cashier. The total amount of disbursements, as shown by the receipts, is added by the cashier to the aggregate of money which he takes out of the drawer, and entered on the credit-side of the Store-keeper's account as "cash." At the bottom of each page on the credit-side of the Store-keeper's account, the cashier gives a receipt for the aggregate of entries on that page.

To keep a more detailed account of the goods brought into and sold from store has been found of little value as a check on the salesman, and, with considerable sales, becomes practically impossible.

We now subjoin a schedule of a store-keeper's account :

DEBTOR.

Date. July.	Description of Goods.	Measure.	Gross.	Net.	Deduction for loss.		Net quan- tity charged.	Selling price.	Selling value.
					Per centage	Total.			
2	Butter, fresh.....	pound	105	100	3	3	97	\$0.32	\$31.04
3	Butter-tubs.	piece	..	..	..	..	1	40	40
4	Tickets.....		200	200	..	..	2.00	10	20.00
6	Wheat Flour.....	pound	100	98	1	0.98	97.02	07	6.79
7	Advance in price of butter.....	pound	..	30	3	0.9	29.01	2	58
8	Cigars—Ambrosia of 25	bunches	..	..	..	..	40	1.25	50.00

CREDITOR.

Date. July.		
2	Cash.....	\$50.00
3	Cash.....	30.00
6	Reduction in price of Butter, 30 lb less $\frac{3}{10}$ lb—29 $\frac{1}{10}$ lb, @ 2 cts..	58
7	Wheat Flour, received on July 6th, returned.....	6.79
8	Cash.....	60
25	Discount allowed on sale of 500 Cigars (Member No. 180, C. Schmitz).	25

The following remarks are explanatory of the preceding account.

1. All cases, boxes, tubs, &c., in case they are to be sold and not returned to the dealer, are charged on the account at their selling value as merchandise.

2. Purchase-tickets for dealers with whom the society has entered into an agreement for the ticket-trade, are charged to the salesman like any other merchandise, at the price which members have to pay for them.

3. If any change takes place in the selling-price of an article before the supply entered on the book at previous figures is entirely exhausted, the difference in the selling value of the quantity remaining on hand, is entered either on Dr. or Cr. side of the account, according to the advance or decline.

4. If a discount is granted to buyers of quantities, the salesman has to demand from the purchaser a certificate specifying such allowance, the amount of which is entered to credit of the salesman on the store-keeper's book.

In case a society has several stores, all transfers of goods from one store to the other, made to prevent the exhaustion of supplies, are booked as if the goods were sold to outside dealers.

B. Book of Contributions by Members.

The salesman should receive payments from members on account of their shares in the society. The sums thus paid should be kept separate from the money in the drawer, and handed over to the cashier. The members enter the instalments paid on a book kept in the store for that purpose. The store-keeper gives a receipt for such payments by stamps which he pastes into the account-book of the member, just as postage-stamps are pasted on a letter. (See Chapter V.)

These stamps may be of the following size and description :

50 cents.		

One dollar.		
July	7th,	1866.

The amount of the instalment is printed on the stamp : the divisions on the lower part of it are filled up by the store-keeper with the date of payment, as will be seen on the second stamp. In his daily visits to the store, the cashier copies the amount of contributions from the book in the store into his memorandum-book, states in both books the amount received from the store-keeper from contributions, as also the nominal value of the stamps which he delivers to the salesman from time to time.

C. Dividend-Script.

Different methods have been adopted to estimate the aggregate value of a member's purchases of goods from the store during a quarter, with a view to estimating the dividends. Experience has shown that entering all single purchases on a member's pass-books, in order to record his share of dividends, interferes with dispatch of business, and necessitates a double number of salesmen. To buy tickets of the cashier in advance, and to have them entered on the dividend account of members, has the same disadvantage, even to a greater degree, inasmuch as the members cannot be prevailed upon to buy in advance several tickets at once. Such an investment changes cash payment into payment in advance, which the means at the disposal of members do not always justify. The only practical plan for the adjustment of dividends, is the one resorted to by the English societies, and especially by the Rochdale Pioneers. According to this plan, the salesman gives the purchaser dividend tickets of exactly the nominal value of his purchase. These dividend tickets may be of printed pasteboard or stamped tin, which latter will prove to be the cheapest and best. The stamp ought to show the initials of the society's name, and the number of cents or dollars which the ticket represents. If the intrinsic value of the ticket is greater than the proportion of dividend which its possession secures, it may not be presented for payment, but converted into a plaything for children, or done away with in some other manner. It is advisable to make each ticket of a size corresponding with its nominal value. The greater the variety of tickets, the easier it will be for the salesman to make the quick and exact return for the value of purchases. Thou

sands of these tickets may be made for a few dollars. The salesmen become easily accustomed to the handling of them, and soon handle them as rapidly as type-setters handle types. A sufficient supply of these dividend tickets ought to be handed to the salesman, and their receipt and aggregate nominal value certified to by the store-keeper.

D. *Deposit-Books.*

The savings intrusted by members to the society have to be kept separate from the proceeds of sales, and from the contributions or instalments on shares. (See B.) The control of these deposits is indicated in Chapter VIII, where it is stated that a receipt must be given to each depositor, signed by the cashier and the director of the society. If, therefore, the depositor feel disinclined to intrust his deposit to the salesman, on a receipt *ad interim*, he should inform the cashier of his intention to deposit, upon which the latter hands a receipt, in due form, to the salesman for delivery. On next visiting the store, the cashier must either find this receipt, or the corresponding amount of money, in the drawer specially kept for that purpose. Returns of deposits are paid out of the store-drawer like other disbursements. The Director has to keep for the cashier a memorandum of all deposits, and can easily take such memoranda by comparing the entries in the store with the receipts he has countersigned.

E. *Various special Memorandum-Books.*

Besides the books mentioned under A and D, the following should also be kept in the store :

1. AN INVENTORY of all tools and fixtures used in the warehouse and store.
2. A DAY-BOOK, on which the salesman enters the aggregate sales of the day, independently of the entries made by the cashier on the Store-keeper's account, to which we have alluded under A. These entries on the Day-book serve to record the fluctuations in sales.
3. THE ROLL, on which application is made for admission into the society, with record of name, occupation, and residence.
4. A SALESMAN'S MEMORANDUM of such goods as he may take from the store for his personal use.

II. ON BOOK-KEEPING IN THE OFFICE.

The book-keeper, after having posted the books in the store and warehouse in the manner already indicated, returns to the office and begins by copying the entries made on the debtor-side of the Store-keeper's account, on to the creditor-side of the Merchandise account, in the Ledger. The strict adherence to this and the other fundamental principles of double-entry book-keeping, can alone secure an efficient and complete control of the business, and afford a chance to readily ascertain the amount of profit realized. The purchasing-tickets given to the store-keeper for sale to members, are not entered on the Merchandise account, but are brought to the credit-side of a separate Ticket account. This Ticket account must be open for every description of tickets, for which a special rate of discount has been agreed upon. The entry on the Store-keeper's account for tickets delivered, is made on the credit-side of the Ticket account as follows :

July 7. By Store-keeper's account \$20.00.

On the debtor-side of the Merchandise account entries have to be made of all items which were previously transferred from Store-keeper's account to its creditor-side, but at their *cost prices*. Entries have likewise to be made on the debtor-side of the Merchandise account of all items which figure on the creditor-side of the Store-keeper's account, provided they have no reference to Cash account ; as, for instance, from above schedule of the Store-keeper's account, the item on reduction of price on butter, the returned wheat flour, and the discount on cigars.

We now submit a schedule for the *Debtor-side of the Merchandise account* :

July. | DATE.	DESCRIPTION OF GOODS AND NAME OF SELLER.	QUANTITY OF GOODS.			ESTIMATE OF COST.			COR- RESPONDING CREDITS.
		Meas- ure.	Gross	Net.	Unit of Calcu'n	Cost per Unit.	Total Cost.	
3	Fresh butter, from N. Bird.....	lb.	105	100	per lb	\$0.25	\$25.00	Sundry Cred.
3	Butter-Tub.....	Piece	....	1	....	—	—	do
3	Freight on above butter	....	....	....	....	—	.75	Cash.
6	Wheat flour (1), from Lee & Co.....	lbs.	100	98	Cwt.	5.00	4.90	do
6	Freight on above flour..	....	....	....	do	1.20	1.20	do
8	Cigars (Ambrosia), from J. C. Baker.....	Piece	1,000	1,000	1,000	42.00	42.00	Sundry Cred.
6	Reduction on price of butter.....	....	....	....	....	—	.58	Stor'keeper*
7	Wheat flour, of July 6, returned.....	....	....	....	....	—	6.10	do
8	Discount on cigars.....	....	....	....	....	—	.25	do

The following remarks serve as explanations of the above schedule.

1. The name of the dealer is mentioned, as this side of the Merchandise account is not only referred to in the meetings of the managers for the adjustment of selling prices, but also serves as a guide for future orders of goods.

2. All boxes, cases, casks, &c. (in this schedule the butter-tub), are to be entered on this account without affixing any value, unless the dealer has made a separate charge for them.

3. Freight, duties, and postage are to be charged on Merchandise account, whenever they are occasioned by orders of goods.

4. The last column of the schedule shows the accounts to the credit of which the respective items have to be placed. As we have remarked before, book-keeping by double entry has been so called because, for every entry made on one account on either debtor or creditor side, a corresponding entry has to be made on another account on the opposite side.

The Merchandise account, in its relation to the Store-keeper's account, as above mentioned, is arranged on the supposition that all goods are first sent into a central warehouse, and are thence delivered to the store-keeper at selling prices, just as to

* Compare page 93.

an outside customer. The Merchandise account serves the special purpose of showing the gross profits by comparison of its debtor and creditor side.

After posting up the Merchandise account, the book-keeper proceeds by making an entry of every item which is on its debtor-side, upon the creditor-sides of the respective accounts to which such entries properly belong. In the above schedule the last three items are previously credited to the Store-keeper's account, and do not require any further entry. As regards the other items, the last column refers to either individual creditors or to the Cash account, according as the purchase value of the goods was already paid, or still due, to the dealer at the time of entry. On the Sundry Creditors account, the entry on creditor-side simply consists of the name of the respective party, reference to Merchandise account, and the amount due. It would be advisable to number all bills and invoices not paid, and to enter the corresponding numbers on the Creditors account as vouchers. The items to be entered on the creditor-side of Cash account must have a similar voucher corresponding with the numbers on the receipts. These entries on the Cash account must always correspond with the receipts given at time of payment; and these receipts are either delivered to the book-keeper directly, or whenever payment has been made out of the drawer in the store through the store-keeper. In the latter case, their aggregate is added to the money in the drawer, and the sum total entered on the Cash and Merchandise accounts as proceeds of sales. All receipts are entered according to their running number to credit of the Cash account, with a reference to the account to which they have to be charged. To find the right account on which the latter entries have to be made, we have to distinguish :

1. RECEIPTS FOR PAYMENT OF GOODS BOUGHT.—Whenever such goods, or the freight and duty on the same, have been paid for immediately on receipt of the goods, the corresponding charge will be found on the debtor-side of Merchandise account. But if the item has been previously placed to credit of the dealer from whom the goods were obtained, the payment made for them has to be charged to the same account, which is thus balanced as far as this item is concerned. Such entries have to be made with a reference to the Cash account,

and with a mention of the date of the original entry to the credit of the dealer.

2. RECEIPTS GIVEN BY DEALERS FOR THE REDEMPTION OF PURCHASE-TICKETS.—The receipts for the amount of money actually paid the dealer are charged on the Ticket account. A second entry has then to be made on the line below the first, stating the amount which the dealer has agreed to be deducted as discount from the nominal value of the tickets redeemed, and has to run thus: "To (the same) Profit and Loss Account." This latter amount should be simultaneously placed to the credit of either the Discount and Interest account, or directly to credit of Profit and Loss account, using the words, "By Ticket Creditors account." The discount obtained on an invoice of goods has to be dealt with in exactly the same manner.

3. RECEIPTS FOR PAYMENT OF CONTINGENT EXPENSES, as rent, salary, percentage, cooperage bills, writing material, &c. —These items are either charged to the Expense account, or directly to the Profit and Loss account.

4. RECEIPTS FOR DISBURSEMENTS FOR PERMANENT APPURTENANCES, as for store-fixtures, printing of laws and by-laws, purchase of blank-books for the counting-room, &c., should be charged to the "Fixtures account," with due particulars. This account comprises all disbursements made for articles which remain in use for the benefit of the society, not during one quarter only, but for an indefinite and much longer time. It is evident, therefore, that the expense incurred for them should not be saddled on the business transactions of one quarter, but should be borne by them only in proportion to the actual wear and tear, and consequent depreciation of the articles.

5. RECEIPTS FOR DIVIDENDS PAID.—These are entered on the debtor-side of the dividend account of each member, while all returns of deposits are similarly charged on the Savings account of such member. If, on paying a dividend to a member, a deduction is made (compare § 8 of the General Laws), such deduction is charged to the Shares account, and placed to credit of Profit and Loss account. When all entries for which the receipts serve as vouchers have been made, the book-keeper should enter the amount of cash received from different sources. These entries all belong to the debtor-side

of the Cash account, and have to be made with references to the accounts on which they have been credited. Of one item placed to credit of the Store-keeper's account, namely, the cash sales of the day, the book-keeper has already made a memorandum during his presence in the store. He also carries with him, on returning from the store, the duplicate book of contributions by members. These contributions have to be placed, each one separately, to the debtor-side of Cash account, and to the creditor-side of the Shares account of the respective members. In exactly the same way the deposits made are charged on the Cash account, and carried to credit of the Savings account. Receipts from other sources seldom occur. The amount of a loan, or of security paid in cash, would have to be placed on the credit-side of the Sundry Creditors account, while the purchase price for store-fixtures disposed of, would have to be carried to credit of Store-fixtures account.

The accounts above mentioned would then stand as on the following four pages.

CASH ACCOUNT.

Debtor.

DATE.		
July.		
2	To Storekeeper's account*.....	\$40.00
3	" do do	20.00
4	" Shares account (C. Mueller, No. 182).....	1.25
8	" Store-keeper's account.....	15.00
8	" Shares account (F. Ganser, No. 10).....	1.00
12	" Store-fixtures account.....	3.75
13	" Savings account (N. Weber).....	5.00

Creditor.†

DATE.		Numbers of	
July.		Receipts.	
3	Merchandise account.....	78	\$0.25
6	Merchandise account (Lee & Co).....	79	4.90
6	Merchandise account.....	80	1.20
12	Sundry Creditors account (N. Bird).....	81	24.50
14	Sundry Creditors account (J. C. Baker).....	82	42.00
14	Ticket account (Meyer).....	83	18.20
15	Expense account (Smith).....	84	20.00
17	Expense account (C. Mueller).....	85	3.00
19	Fixtures account (Henry).....	86	8.00
20	Shares account (C. Mueller).....	87	5.15
21	Savings account (No. 182, N. Weber).....	88	10.10

* In practice, it is superfluous to use the word "account" in each entry. It is inserted here for the sake of clearness. Other abbreviations will suggest themselves; but the book-keeper should be very careful to adopt none which may lead to obscurity.

† In practice, the debtor and creditor divisions of the accounts should stand side by side, as on page 113. The plan used above was necessitated by the space at command.

SUNDRY CREDITORS ACCOUNT.

Debtor.

DATE. July.		Date of Purchase.	
12	Cash account (N. Bird).....	July 3	\$24.50
12	Discount on above (2 per cent).....	.....	50
14	Cash account (J. C. Baker).....	July 8	42.00

Creditor.

DATE. July.		Number of Bill.	
3	Merchandise account (N. Bird).....	68	\$25.00
8	Merchandise account (J. C. Baker).....	69	42.00

TICKET ACCOUNT.

Debtor.

DATE. July.		
14	Cash account (Meyer).....	\$18.20
14	Discount on above tickets.....	1.80

Creditor.

DATE. July.		
4	Store-keeper's account.....	\$20.00

PROFIT AND LOSS ACCOUNT.

Debtor.

DATE.		
July.		
15	Cash account (Smith, rent for two quarters).....	\$20.00
17	Cash account (Mueller, Postage on letters and packages concern- ing lawsuit).....	8.00

Creditor.

DATE.		
July.		
12	Sundry Creditors account (N. Bird).....	\$0.50
14	Ticket account (Meyer).....	1.80
20	Shares account (Mueller).....	1.25

FIXTURES ACCOUNT.

Debtor.

DATE.		Number in list of Fixtures.	
July.			
19	Cash account (Henry. 1 Iron Stove).....	120	\$8.00

Creditor.

DATE.		Number in list of Fixtures.	
July.			
12	Cash account. (1 Iron Stove, sold).....	15	\$3.75

SHARES ACCOUNT.*

Debtor.

DATE.	
July.	MEMBER, No. 182—C. MUELLER.
20	Cash account. (Expelled).....
20	Profit and Loss account. (25 per cent.).....
	\$5.15 1.25

Creditor.

DATE.	
July.	
8	Cash account. (Payment of instalment).....
	\$1.00

SAVINGS ACCOUNT.

Debtor.

DATE.	
July.	
21	Cash account. (Deposit returned).....
	\$10.10

Creditor.

DATE.	
July.	
13	Cash. (Deposit).....
	\$5.00

Almost all the preceding accounts may admit of subdivisions: with increasing transactions such subdivisions will become more and more desirable. Instead of keeping one general Merchandise account only, it may not be out of place to open separate accounts for each of the more important

* This is but a specimen of the account. The SHARES ACCOUNT contains the account of all the members, kept in the same way as the specimen given.

articles, as Butter, Coffee, Sugar, Tobacco, &c. In the same manner, as soon as the parties of whom purchases are made on credit become too numerous, it becomes advisable to open an account for each one of the principal dealers separately, instead of crowding them into a Sundry Creditors account, as has been done in the preceding schedule. Even the Fixtures account may be properly subdivided. The practicability will be easily perceived by a person who has once made himself familiar with the fundamental principles of book-keeping.

As regards the cash on hand, the cashier should take particular care that its volume does not attain too high a figure; and whenever this figure remains for any length of time above what is actually needed, the cashier must call the attention of managers to the fact, so that some disposition may be devised for the surplus.

III. THE INVENTORY.

This must be taken at the end of each quarter, and must be made as rapidly as may be consistent with its accuracy. It is divided into five parts:

A. The Revision of Securities.

The investigation into these is made by three auditors, appointed for that purpose in a meeting of the Convention. They should examine whether the security given by employees of the concern, as for instance, by the cashier and store-keeper, is still sound and valid, so that it may be made available in case of fraud or defalcation. The result of their investigation is to be communicated to the members at their next meeting.

B. Inventory of Cash.

To facilitate this, the store-keeper has to deliver to the cashier all moneys he may have in his possession, in the drawer and otherwise, so that the examination of the cash may be made exclusively with the cashier. This investigation is likewise intrusted to a committee appointed by the Convention, and its result should be communicated to the Convention as soon as possible.

C. Inventory of Tickets.

Tickets are of three different classes: purchase-tickets, stamps to certify contributions, and dividend scrip or tickets. Previous to the inventory, the store-keeper must return to the cashier whatever purchase-tickets he has on hand unsold. The cashier must give credit to the store-keeper's account for the aggregate value of tickets returned, and charge an equal sum to the Ticket account in the Ledger. Thus the cashier alone has to account to the committee for the amount of purchase-tickets on hand, while the amount of contribution-stamps and dividend-tickets on hand is ascertained both from the cashier and the store-keeper. The balance of dividend-tickets on hand must be locked up until the members have handed in all their tickets for payment.

D. The return of Dividend-Tickets by Members.

This must be made on the day the inventory is taken; and in order to enforce their prompt delivery, stipulation must be made that only such tickets as are handed in that same day, shall count in the apportionment of profits on the transactions of the quarter. Some of the managers must assist the cashier in receiving and counting the tickets, and members must be enjoined to previously assort and count them. The experience of the English societies, who have adopted this plan, and of several German societies who have followed their example, proves that the delivery can thus be made in a single day. To allow a longer term retards the quarterly balance of the books indefinitely. Besides, members would have a chance to add to their returns such tickets as have been sold them since the commencement of the new quarter. For these they are not entitled to any share in the dividends of the quarter just closed. By permitting the return of tickets after their sale to members has been resumed, the store-keeper would have a chance to do away with quantities of them, and use them for his own profit. Before the tickets are handed in, the book-keeper must prepare a schedule like the following, of the dividend declared, with interest, at the close of the quarter. Immediately on delivery of tickets, and in the presence of the holder, the amount should be entered in the column left open for that purpose:

Members' numbers on the roll.	Names of members.	Nominal value of tickets handed in.	Proportion of dividend on same.	Interest on the amount due at last settlement.	Total share of profits.	Amount due at the end of the last quarter.	Amounts now due, including dividend.
10. 182.	F. Ganser, Chr. Mueller	\$74.40 49.20	\$3.72 2.46	\$0.10 0.16	\$3.82 2.62	\$5.33 8.06	\$9.15 10.68

It will be seen that in the preceding schedule a quarterly dividend of 5 per cent. on purchase-tickets is assumed, and interest on the amount due at the close of the preceding quarter at the rate of 2 cents on each whole dollar.

After delivery of the purchase-tickets, a certain quantity of them is immediately handed over to the store-keeper for sale during the quarter just commencing. Of this, as well as of the aggregate of tickets which were delivered up by members, a memorandum should be taken.

E. Inventory of Merchandise on hand.

During this inventory, as well as during the delivery of tickets by members, the store ought to be closed to all purchasers. It is advisable to intrust the taking of the inventory in each store-room or warehouse to not more than two persons, one of whom ought to be a member of the Board of Directors, while the other should be specially appointed, and act as auditor. One of these should weigh, count, and measure the goods, and the other make the entries on the inventory-book.

For the latter purpose, the book-keeper must have on hand schedules made out on the following plan :

DESCRIPTION OF Goods.	Quantity on hand.	Cost Price.	Total cost.	Supposed loss on goods until sold.		Net sale- able quantity on hand.	Selling price.	Selling value.
				Per ct.	Total.			
Fresh butter.....	60 lbs.	lb. @ \$0.28	\$16.80	3	1 $\frac{4}{8}$ lbs.	58 $\frac{1}{8}$ lbs.	\$0.33	\$19.21
Cigars (Amb'sia).	600	M @ \$4.00	20.40	—	—	600	42.00	25.20
Butter, Tubs....	10	— — —	— — —	—	—	10	— .25	2.50
Wheat flour.....	50 lbs.	cwt. @ 5.25	2.62	1	$\frac{1}{2}$ lb.	49 $\frac{1}{2}$ lbs.	6 $\frac{1}{2}$	3.22

For the right understanding of the preceding schedule the following remarks may be necessary.

1. In taking inventory of merchandise, only the column for quantity is filled up. The same entries are then made on a duplicate schedule which contains only this column, and which remains in the hands of the store-keeper. When the inventory is taken, the member of the Board of Directors and the store-keeper certify the correctness of both schedules by affixing their signatures to them.

2. The different kinds of goods are not entered on the schedules in accordance with their natural connection, but they are taken in the order they stand in the store, so that the inventory ends next to that part of the store where it was begun.

3. All boxes, cases, &c., which have been charged on the store-keeper's account must be entered on the inventory of Merchandise ; not so, however, such as are in daily use in the store and not to be disposed of either by sale or for packing of goods sold.

4. The remaining columns are filled up by the book-keeper as soon as the quantity and description of goods on hand has

been ascertained. The cost-price includes freight, duty, and other expenses on the goods. The percentage of loss must be deducted in calculating the selling-price, as the articles remain subject to this loss, especially to the loss incurred in measuring out at retail. In all cases where goods liable to heavy loss by drying up have already been stored a considerable time, a lower percentage than that originally entered on the Store-keeper's account should be allowed.

IV. BALANCING THE BOOKS.

The balancing of the books must be commenced immediately after the inventory, and completed in as short a time as possible, so that the final balance-sheet may be in possession of the committee of auditors (appointed for that purpose by the Convention) at their next meeting. The closing of the books must be preceded by an investigation both of the amounts due, according to the books, and of the aggregate value of the goods of which inventory was taken.

A. Examination of the Inventory.

1. The amount of cash on hand must be equal to the difference between the debtor and creditor side of the Cash account. Any trifling difference, which cannot be adjusted by revision, must be entered as loss or gain on Cash account, and be placed on the opposite side of the Profit and Loss account.

2. The purchase-tickets on hand, if added to the balance in favor of the creditor-side of the Ticket account, must give the aggregate nominal value of all the tickets the society has ever bought, provided that all dealers have been previously settled with.

3. The supply of dividend-tickets, in the hands of the cashier, must be equal to the aggregate nominal value of all dividend-tickets stamped, less the amount handed to the store-keeper since the last inventory as shown by his receipts. The amount of dividend-tickets in the hands of the store-keeper must be equal to the amount of the tickets delivered to him, added to the selling-value of the goods taken without issue of

tickets for his own personal use, or for store and office use,* less the aggregate amount of cash credited to the Store-keeper's account.

4. The nominal value of the dividend-tickets ought to be equal to the amount of cash entered to the credit of the Store-keeper's account during the quarter. But this can seldom tally, inasmuch as many of the tickets get lost, and also because some members may not be in time to hand in their tickets. As it would cost too much to have new tickets made for each new quarter, nothing can prevent those who have been too late in the delivery of their tickets, from handing them in at the next ensuing term, and thus securing their participation in the profits of the new quarter. Thus it may occur that the quantity of tickets delivered by members at the end of a quarter surpasses the aggregate amount of tickets received by them during the quarter.

5. The aggregate value of the contribution-stamps in the hands of the cashier and store-keeper must be equal to the amount at the last inventory, less the amount of contributions paid during the quarter, as seen on the book kept in the store for that purpose.

6. We have previously remarked, that it is the duty of the book-keeper to calculate cost and selling price of all the goods on the inventory. The total selling-value must then be placed to the creditor-side of the Store-keeper's account, and a comparison made between the two sides of the account. The two sides cannot be expected to balance exactly, inasmuch as the percentage of losses can never be fixed beforehand with entire accuracy. The trifling difference which may exist must be carried to either debtor or creditor side of the account, as the case may warrant, and a similar amount entered on the opposite side of the Profit and Loss account.

B. The Balance-Sheet.

All differences in the Cash account, Ticket account, and Store-keeper's account which cannot be adjusted by examination of the books and inventory, are entered on Store-keeper's

* Both of these classes of goods should be settled for in cash before the final settlement.

account as surplus or deficit, as the case may be, and balanced by another entry on the opposite side of Profit and Loss account. Then a transfer has to be made of the amount of cash on hand from creditor-side of Cash account to debtor-side of Balance account; and also one of the selling-value of the goods on hand from creditor-side of the Store-keeper's account to the debtor-side of the Merchandise account. Then the selling-value of the goods on hand, as established by the inventory, has to be placed to the creditor-side of the Ticket account and to the debtor-side of the Balance account. The difference then existing between the debtor and creditor side of Merchandise account must be placed to the debtor-side of said account, and counterbalanced by an entry of the same amount on creditor-side of Profit and Loss account, as profit on merchandise during the quarter. Now follows the closing of the Fixtures account. The first entry to be made here is on the credit-side, for wear and tear during the quarter, for which we may safely assume 3 per cent. This 3 per cent. ought not to be calculated on the cost-value of the articles on hand, but on their estimated value at the close of the preceding quarter. To act on the former plan would be difficult, on account of the difference in the dates of purchase; and it would be contrary to the well-established fact, that the diminution in the value of such articles is always greater during the time immediately following their purchase than at later periods. The amount to be thus placed to the credit of the Fixtures account must be charged on the debtor-side of the Profit and Loss account. The Fixtures account may then be closed by adding the difference between the debtor and creditor side to the latter, and by then entering the same amount to the debtor-side of the Balance account. These would be all the entries to be made on the debtor-side of the Balance account, unless the society has outstanding claims on individual book-account, and wishes to balance the debtor-side of such account, or its surplus, as compared with the creditor-side, by a transfer to the debtor-side of the Balance account. Let us now proceed to the *creditor-side of the Balance account*.

The first accounts to be closed are the "Sundry Creditors" account and the "Ticket" account. This is done by placing the difference between the debtor and creditor sides of these

accounts to their debtor-side, and by transferring the same amounts to the creditor-side of the Balance account as "*Sundry Creditors*" and "*Circulating Tickets*." Considerable trouble then arises for the book-keeper, from the balancing of the separately kept Shares accounts of members. These are balanced on the debtor-side of the accounts, and the amounts transferred into the corresponding column of the schedule which has been previously prepared for the delivery of dividend-tickets. The total sum of dues from members found there must be transferred to the creditor-side of the Balance account as "*Shares of Members*." The sum of deposits is dealt with in like manner by transfer to the Balance account. Before this is done, however, the interest accrued on deposits should be credited. The amount of each member's interest is placed to his credit on the Deposit account, and the aggregate is then charged on the debtor-side of the Profit and Loss account. Then the Profit and Loss account must be balanced, and the difference transferred to the creditor-side of the Balance account. This is the last entry to be made, and unless an error has been made in posting, the aggregate amount entered on the debtor-side of Balance account, must agree to a cent with the aggregate on the creditor-side. Supposing all the entries to have been made in accordance with the above instructions, the different accounts would stand as follows.

NOTE.—The only column filled out and figuring in the following accounts is that of dollars and cents; the others are of no importance. "Amount forward" means the sum total of entries made in each account previous to balancing the accounts.

Dr.		(1) CASH ACCOUNT.				Cr.	
	To amount forward	\$3,600	18		By amount forward...	\$3,460	30
					" Balance Account		139 08
					(amount on hand)		3,600 18
		3,600	18				

Co-operative Stores.

Dr. (2) STORE-KEEPER'S ACCOUNT. Cr.

To amount forward	\$4,008 10	By amount forward..	\$3,060 10
		" Mdse (Selling value of Goods on hand as per Inventory)	942 19
		" Profit and Loss (Deficit)	5 81
	<u>4,008 10</u>		<u>4,008 10</u>

Dr. (3) MERCHANDISE ACCOUNT. Cr.

To amount forward..	\$3,520 11	By amount forward..	\$4,022 23
" Store-keeper's account	942 19	" Balance Account (Cost of Goods on hand as per Inventory)	830 17
" Profit and Loss account	390 10		<u>4,852 40</u>
	<u>4,852 40</u>		

Dr. (4) FIXTURES ACCOUNT. Cr.

To amount forward..	\$308 20	By Profit and Loss Account (Reduction of 3 per ct. for wear and tear from last Balance of \$200.00)	8 70
		" Balance Account (Value of Fixtures on hand) ..	299 50
	<u>308 20</u>		<u>308 20</u>

Dr. (5) SUNDRY CREDITORS. Cr.

To amount forward..	\$1,620 10	By amount forward..	\$2,030 10
" Balance Account	410 00		<u>2,030 10</u>
	<u>2,030 10</u>		

(6) TICKET ACCOUNT.

In same manner as above (No. 5).

Dr. (7) SHARES ACCOUNT. Cr.

Account of No. 172, Charles Miller.*

To amount forward..		By amount forward..	\$10 00
" Apportionment of Dividend	6 08	" Balance Account..	6 08
	16 08		16 08

Dr. (8) DEPOSIT ACCOUNT. Cr.

Account of No. 734, S. Smith.*

To amount forward..		By amount forward..	\$10 00
" Balance Account	10 63	" Profit and Loss (Interest)	63
	10 63		10 63

Dr. (9) PROFIT AND LOSS ACCOUNT. Cr.

To amount forward..	\$380 00	By amount forward..	\$176 01
" Deposit Account.	1 40	" Mdse Account....	390 10
" Store-keeper's Account	5 81		
" Fixtures Account	8 70		
" Balance Account	170 20		
	566 11		566 11

Dr. (Assets.) (10) BALANCE ACCOUNT. (Liabilities.) Cr.

To Cash Account....	\$139 98	By Shares Account..	\$553 05
" Mdse Account....	830 17	" Deposit Account	30 10
" Fixtures Account	299 50	" Sundry Creditors	410 00
		" Circulat'g Tickets	106 30
		" Profit & Loss ac't	170 20
	1,269 65		1,269 65

After closing the Balance account, the book-keeper should make out a schedule for the apportionment of profits, as follows.

* Only one member's account given as a specimen. The aggregate balances of all of these accounts are supposed to be entered in the Balance account, as explained on page 113.

DEBTOR.

1. Interest at 8 per ct. per annum on 496 whole dollars.....	\$9.92
2. Dividend-tickets handed in, \$2,871.54 : dividend declared, 1 cent on every 18 cents.....	159.53
3. Surplus of dividend for next quarter.....	75
Total.....	\$170.20

CREDITOR.

Balance account.....	\$170.20
----------------------	----------

AUDITING THE ACCOUNTS.

The committee of auditors must carefully examine whether the books have been kept strictly in accordance with the rules laid down by the society, and whether all disbursements and claims have their corresponding vouchers in receipts and bills. The correctness of the calculations should be tested, and the deficiencies investigated. Deficiencies in cash, and in the amount of purchase-tickets and deposit-stamps on hand, are hardly excusable; whereas small defects in the amount of dividend-tickets on hand and of merchandise in store, can be explained by the excess of actual loss over the percentage allowed. Any deficiency which cannot be satisfactorily explained, should be deducted from the security given by the employee in whose account the deficiency occurs; and if such a deficiency should have been previously charged to Profit and Loss, the amount collected to cover the same should be placed with the assets on the Balance account. The auditors should finally examine whether the Board of Directors has acted arbitrarily with regard to any disbursements and purchases which have not yet been sanctioned by the society; and if such action has been taken, it must be submitted for subsequent approval. If such approval should not be obtained, the engagements entered into must be broken off, and all damage sustained, or indemnity paid the respective contractors, must be reclaimed from the Board of Directors.

The auditors should also compare the memorandum-book of the deposits made and withdrawn, kept by the Director, with the entries made on the Cash account. All these investigations, although they must be minute and careful, ought to be made without any unnecessary loss of time, as it is advisable that the books should be in the hands of the book-keeper for the entry of current transactions within three days from the commencement of the examination.

A liberal compensation for the trouble and labor of the auditors should be allowed once for all by the members in Convention. In fixing the rate of this, it must be considered that the thorough examination of a set of books, even if well and regularly kept, will occupy at least an entire day. Moreover, as one of the auditors participates in the previous taking of the inventory, he should be separately compensated for that trouble.

The auditors first make a verbal report to the Board of Directors, and submit to them whatever they intend to communicate at the next meeting of the members of the society. Opportunity is thus given to correct any mistakes on the part of the auditors, and, especially, to refute unjust accusations before they obtain greater publicity.

In the Convention, the condensed quarterly report of the Director precedes the report of the auditors. If in the latter report any member of the Board of Directors has been mentioned in a disparaging manner, he should, as soon as the reading is concluded, have the floor for his defence and justification. Should any doubt arise as to the substance of the accusation, the Convention may defer action in the premises until their next meeting, and may cause a second revision of the books and store to be made by another committee. Should the Convention finally resolve to relieve a member of the Board of Directors of his functions, or to discharge any of the employees for misconduct or for loss sustained by the society through mismanagement, such resolution should be sent in to the Board of Directors, accompanied by the arguments which tend to justify the action of the members, and by a stipulated claim for damages to be recovered. The Board of Directors then act in conformity with the resolution, and must recover the amount of damage claimed, from the security given by the employees.

VI. RE-ESTABLISHMENT OF ORDER IN DISARRANGED BOOKS AND ACCOUNTS.

Whenever the books and accounts of a society have become out of order, and so entangled and mixed up that a revision of previous entries does not suffice for the restoration of a balance-sheet fit to serve as a basis for the continuation of business, it will be advisable to adopt the following plan.

As a basis for future operations and the opening of a new set of books, the assets of the society should be carefully appraised. It is best to begin by regulating the Shares accounts of the members through comparison with their pass-books containing certificates of contributions. It will next be advisable to ascertain the actual value of all real estate of which the society may be possessed, the value of goods on hand, as also of fixtures and utensils. The amount of circulating purchase and dividend tickets should then be ascertained. If the amount of tickets originally issued is not known, the amount in circulation can only be ascertained by the calling in of the tickets, and by the issue of new ones in exchange. If these points, as well as the aggregate of claims and indebtedness of the society, are once clearly established, a new inventory can be taken conformably with the plan indicated in Section III. ; as an inventory taken on closing the books, conformably with Section IV., A, cannot be properly made. The striking of a balance (IV., B), must consequently be made by transfer of the balance of cash, the purchase-value of the goods on hand, and the aggregate of circulating tickets directly from the inventory to the balance-account. The Fixtures account, the Shares account, and Sundry-Creditors account may then be closed according to the rules laid down. The excess of assets over liabilities is then balanced by Profit and Loss account.

VII. APPORTIONMENT OF PROFITS AND OPENING OF NEW ACCOUNTS.

As soon as the balance in favor of the society has thus been clearly established before the Convention, the book-keeper should transfer the profits from the Balance account to the

creditor-side of the Profit and Loss account, for the ensuing quarter ; and the share of profit of each member in the apportionment of dividends, should be calculated on the schedule made out for that purpose, and thence transferred to the creditor-side of the Share account of each member. The aggregate of these apportionments of interest and dividend, must then be placed to the debtor-side of the new Profit and Loss account. If, for example, the plan for distribution shown in the schedule on page 108 should be adopted, the new Profit and Loss account would begin in this way :

DEBTOR.	CREDITOR.
Interest..... \$9.92	Balance account.....\$170.20
Dividends..... 160.28	
Total.....\$170.20	

The list containing the apportionment of profits has then to be posted in the store for the inspection of the members, who can proffer complaints on account of unjust distribution, at the next Convention. It is the store-keeper's duty to enter the share of profits accrued to each member, as seen on the list, into the latter's pass-book.

The profits thus realized having been transferred and disposed of, the other items on Balance account are transferred to the corresponding side of the new accounts as follows : The amount of cash on hand, to the debtor-side of Cash account ; the cost-value of the goods on hand, to the debtor-side of Merchandise account ; and the estimated value of fixtures and utensils, to the debtor-side of Fixtures account. In the same manner the items of sundry creditors and the aggregate amount of circulating tickets are transferred from creditor-side of Balance account to the creditor-side of Sundry-Creditors account and Ticket account respectively. Finally, the selling-value of the goods on hand, corresponding with inventory, has to be placed to the credit of the new Merchandise account, and to be entered on the debtor-side of the new Store-keeper's account. The new Merchandise account (in conformity with

the schedule of Balance account on page 115) would open as follows :

DEBTOR.	CREDITOR.
Balance account. . . . \$830. 17	Store-keeper's account. \$942. 19

VIII. POSITION OF THE BOOK-KEEPER AND CASHIER.

Until the annual transactions of a society reach an aggregate of about 50,000 dollars, the keeping of the books and cash might be attended to by some member of the society during his leisure hours. But as he must visit the store and warehouse at least once every day, no matter how trifling the transactions, he should have a compensation for loss of time in the shape of a small monthly salary. Or if this should not prove practicable, the book-keeper might be allowed a share in the discount realized by prompt payment of claims against the society. By this arrangement he would have an interest in the claiming of discount from dealers, which would operate to the advantage of the society. In appointing a book-keeper, care should be taken to select no person who would be apt to intrust the care of the books and accounts to a third party, say to one of his clerks. Where the keeping of the books and Cash account can be done during the leisure hours of the incumbent, it might be well to make a selection from among the members of the Board of Directors, or the Committee.

CHAPTER XII.

GENERAL HINTS FOR MANAGEMENT OF BUSINESS.

THE formal rules for the management of business are, to a great extent, laid down in the preceding chapter on Book-keeping and the Cash account. We add the following set of rules, which we have drafted for the co-operative store society, "Friedrichstaedtische Genossenschaft," in Berlin.

Rules for the Management of the Society.

§ 1. GOVERNMENT.—The Trustees of the Association, consisting of the Director, Cashier, and the two Assistant Directors, shall have the entire management of the concern, subject to the resolutions of the Convention and Committee, on the following points :

- a) Distribution of profits and losses among the members.
- b) Contracts creating future obligations on the part of the association ; such as engagements of employees, and leases.
- c) Receipts and expenditures in amounts greater than (say \$100).
- d) Amounts and conditions of loans to be raised.
- e) Compensation to the members of the Managing Committee for all services.
- f) Method of keeping the accounts.
- g) Expulsion of members.

§ 2. MEETINGS OF THE BOARD OF DIRECTORS.—The Board of Directors shall meet regularly at least once a week at a regular time and place. Extraordinary meetings can be convened by the Director at any time. Three members of the Board constitute a quorum.

§ 3. PROCEEDINGS AT THE MEETINGS OF THE BOARD.

- a) The Director communicates the transactions of each day since the last meeting, as shown by statements to be made out by the Store-keeper every evening.

b) The Director submits to the Board the names of those wishing to join the Association, causes votes to be taken on them, and enters the names of those admitted on the roll of members.

c) The Cashier communicates, by extracts from the Merchandise account, a statement of goods purchased since the last meeting. Should any of these goods have been bought without the authorization of the Board, its consent and approval must be asked for.

d) The Director proposes new purchases, proves their expediency from the Store-keeper's statement, issues the orders for such as may be agreed to, and signs them conjointly with one other member of the Board.

e) The Cashier announces the disbursements and receipts since the last meeting. In case any disbursements have been made without previous authorization, the consent of the Board must be asked for. The Director and one other member of the Board countersign all receipts for approved disbursements.

f) Votes shall be had on alterations in selling-prices, general orders for purchases, purchases of utensils, authorization for future disbursements, especially for the redemption of shares.

§ 4. MINUTES OF THE MEETINGS OF THE BOARD.—This document must contain :

The transactions of the week (according to § 3, a), the name and number of each newly admitted member, the purchases and disbursements agreed upon, and the resolutions passed in accordance with § 3, f. The Minutes must be signed by all the members present, and read at the next meeting of the Board.

§ 5. ASSISTANT DIRECTORS.—Outside of the meetings of the Board, the two Assistant Directors shall transact only such business as may be specially intrusted to them by resolution of the Board.

§ 6. CASHIER.—The Cashier shall have sole and entire charge of the books and cash, to be kept in accordance with the rules

established by the Board of Directors. He shall visit the store every day, with the exception of Sundays and holidays, personally enter the accounts of the store-keepers, and take charge of the cash not immediately required, as also of all invoices and receipts in the hands of the store-keepers. All books shall be posted daily, so that they can be fully closed each day. The Cashier can only make such disbursements as are approved by resolution of the Board of Directors, or such as the Director has agreed to be responsible for to the Board. He shall attend to the prompt and punctual payment of all accounts audited. In case of payment in advance, he shall claim the customary discount.

§ 7. **DIRECTOR.**—The Director shall visit the store at least once a day, to secure cleanliness and order, as well as the suitable storage of the goods and the proper disposal thereof. It is his duty to find and buy in the cheapest market, and to properly dispose of all packing material: he is responsible for prompt action on resolutions concerning purchases, as also for a constant supply of goods sufficient to meet the demand of customers.

He shall have charge of all documents of the association not directly referring to the books and cash.

He shall represent the association externally. To lawfully bind the association, his signature and that of the Vice-Director, or the signatures of either of them and one of the Assistant Directors, is required.

The Director casts the vote of the association in the Union of the Co-operative Societies, and is obliged to regularly attend the meetings of said Union.

It is the duty of the Director to submit to the Board of Trustees, at the end of each calendar month, a written report of the state of the business. It must contain a statement of the sales of the month compared with that of the preceding month, the number of new and of expelled members, the number of members actually constituting the association, the amounts of payments by members and disbursements to them, the total amount of claims on the society, the value of merchandise on hand according to the store-keeper's account, the amount of cash on hand, the amount of claims due the association, the

amount of contingent expenses during the month, and the entries on the Fixtures account. These statements shall be taken from the books by the Director himself.

§ 8. VICE-DIRECTOR.—In case of the absence of the Director, the oldest Assistant Director acts as Vice-Director, and assumes the functions of the absentee. The Director shall inform the Board, whenever his absence from a meeting may become necessary.

The Board of Directors should have authority to issue a set of rules similar to the above. This one contains substantially the paragraphs from the constitution relative to the functions of the Directors. The monthly compilation and issue of a short report of transactions, compels the Director to make a minute investigation into the condition of the concern, and affords him ample opportunity to inform himself regarding the proper keeping of the books. In order to attain this, he is obliged to make the necessary extracts from the books himself.

The following schedule may serve as a guide for the preparation of this report on business.

REPORT OF THE DIRECTOR FOR OCTOBER, 1866.

Sales.

Proceeds of sales for October.....	\$1,710.50
Proceeds of sales for September.....	1,460.25
Increase of sales on preceding month.....	250.25
Proceeds of sales for October, 1865.....	1,020.75
Increase of sales of October, 1866, on corresponding month of 1865.....	689.75

Number of Members.

Actual number of members at the end of September....	420
Newly accepted during October.....	34
Total.....	454

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Total members as per last page.....	454
Number of members stricken from the list, <i>without</i> transfer of shares, during October.....	6
On account of death.....	2
“ “ change of residence.....	3
“ “ resignation.....	1
Number of members stricken from the roll during October <i>with</i> transfer of shares.....	4
Total stricken from the rolls.....	— 10
Actual number of members on the roll Oct. 31st....	444

Value of Shares.

Value of shares at the end of September.....	\$1,120.00
Profits for the third quarter added to Shares account.	320.50
Received from members during October.....	80.50
Total.....	\$1,521.00

Disbursements to members in sums of \$5.00.....	\$175.00
Disbursements to six members discontinued.	26.50
Deduction of 25 per cent. from one mem- ber stricken from roll (resigned).....	1.25
	202.75

Balance on hand October 31st.....\$1,318.25

Stock on hand.

Amount of goods on hand, as per Store-keeper's ac- count, on November 1st.....	\$1,220.50
Cash on hand November 1st.....	140.33

Indebtedness of the Association on November 1st.

Due on loans.....	\$180.00
For goods bought on credit.....	80.33
Contingent expenses for October.....	51.25
Entered on account of utensils and fixtures.....	10.25

November 1st, 1866.

(Signature of the Director.)

The roll of members mentioned, § 3, *b*, contains the number of the member (which is also his number in the Account of Shares), his name, business, residence, date of admission, and date of separation from the association.

Concerning the orders for goods alluded to § 3, *d*, it will be found expedient to procure printed forms, two on a leaf. On issuing an order, both forms are filled in the same manner; one of them is cut out and sent to the party of whom the goods are to be bought, while the other remains on file as a voucher.

The minutes of the meeting of the Board of Directors, mentioned in § 4, may be made out in the following shape :

Amount of sales from October 2d to October 9th, \$280.12.
Members admitted, Nos. 320-325, inclusive.

Resolved to purchase :

- 2 bales Java coffee of C. Schmitzhere, at — per lb.
- 1 bale rice of C. Huttemann.
- 1 bbl. white sugar.
- 2 M. Ambrosia cigars.

Consent given to previous purchases of pepper, Prussian blue, and salt, in usual quantities, of our regular dealers.

Previous disbursements consented to :

For postage on October 3d, 4th, and 6th . . . \$0.75

Authorization given for the printing of 300 prices-current, for the white-washing of the store, for the varnishing of fixtures, and for the purchase of a round table for the meetings of the Board of Directors.

Reduction of selling-price of wheat flour from 24 to 22 cents per lb.; advance of price of oil from 25 to 30 cents.

The election of a well-qualified and suitable person as Director is, of course, of the utmost importance for the growth and prosperity of the association. The candidate for this position, without belonging to the class of speculators proper, must, nevertheless, possess undoubted business qualifications, and be endowed with a quick and just perception of the means apt to further the interests and enlarge the business of the association. It is his duty to find the best and cheapest mar-

ket for the purchase of goods, to look into the expediency of extending the business of the concern to articles not hitherto dealt in, to make proper arrangements for the ticket-trade with other stores or dealers, to facilitate and improve the arrangements for the sale of goods, to fix a proper scale of selling-prices, to advertise the object and the principles of the association, &c., &c. Strict and conscientious attendance to all these matters requires frequent and careful thought, rather than time-engrossing correspondence or other office-labor. The position of Director of a co-operative society ought not to be expected to secure the incumbent a living ; but, in societies whose sales are not very large, ought to be co-existent with the incumbent's attendance to his regular business. It will therefore be advisable to elect a person whose attention is not too much absorbed by his own business. Retail dealers are apt to be unfit for the position, for although their technical capabilities cannot generally be disputed, they are unable to divest themselves of the business notions acquired in the narrow sphere of their own calling. A co-operative society cannot be considered entirely independent, until it is able to remunerate the services of the Director in a liberal and befitting manner. The office-work to be done by him is not the only thing to be taken into consideration. The best way to fix a proper compensation of his services (especially for societies which aim at high selling-prices and at correspondingly high dividends) would be to allow him a certain percentage on the net earnings of the society. In small societies, 10 per cent. of the net profits as shown by the balance-sheet of the concern, would not be too much.

For Assistant Directors it would be well to select men of undoubted technical knowledge of goods. As the only service rendered on their part consists of assisting at the meetings of the Board of Directors, it would not be advisable to vote them a compensation for their trouble—at least, not until the society does considerable business.

In the Committee of Managers, all classes of members ought to be represented. As the Committee meets at long intervals only, it is not requisite to allow its members any compensation for trouble and loss of time. No fixed remuneration, at least, should be decided upon until the transactions of the society

reach such a scale as to require time enough to seriously interfere with the personal business of the members of the Committee. The President of the Committee must be capable of presiding over an assembly, and conducting its business according to parliamentary rules. It is his especial duty to use all his influence and moral weight in favor of the election of fit and capable men for members of the Board and as employees of the society. He should see that the business be transacted in accordance with the rules laid down for that purpose, and that the Minutes of the proceedings at the meetings of the Board, as well as the Director's monthly reports, be regularly read and submitted for approval. Every member of the Committee has a right to watch over the operations of the society, the Board, and the employees, but should carefully abstain from all direct interference with the course of business.

It is the duty of the Board of Directors to prepare and bring into clear and proper shape all matters to be submitted to the Committee of Managers, so that the Director can always make a distinct and precise motion to be acted upon.

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SEASONABLE NEW BOOKS.

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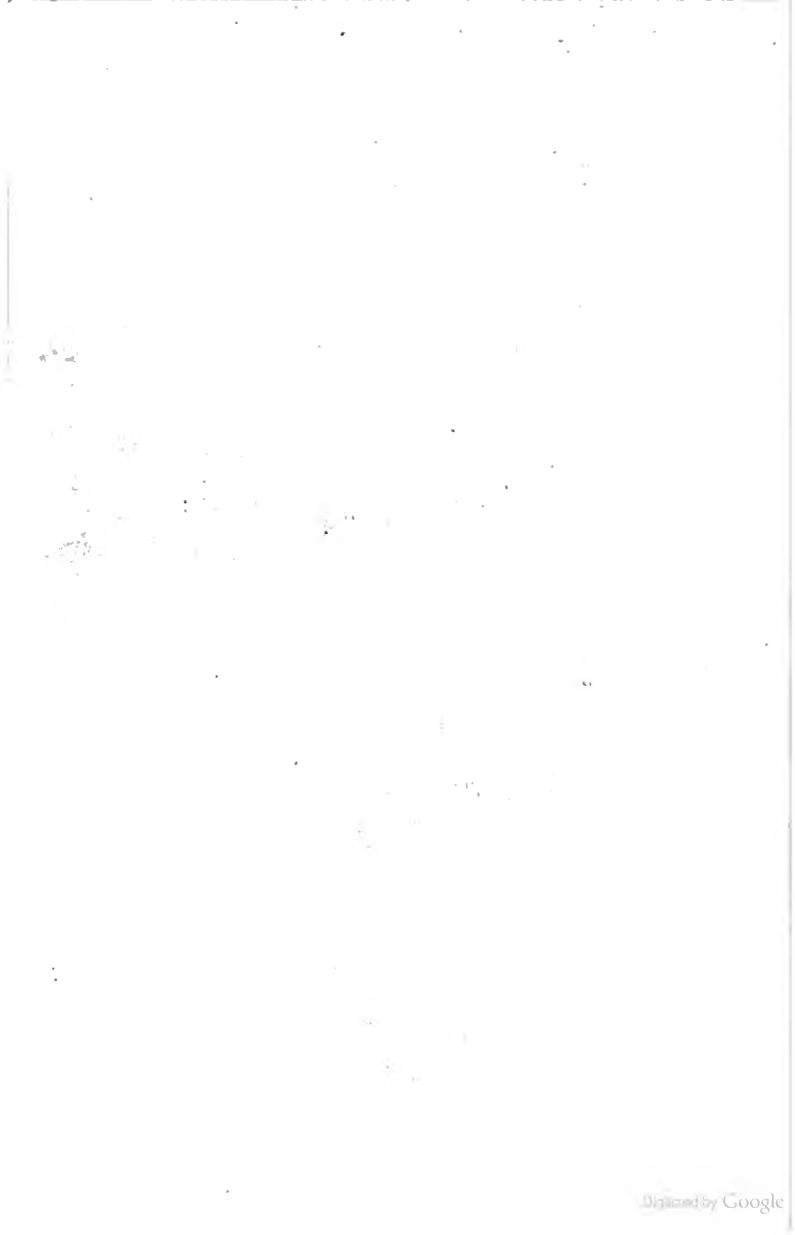
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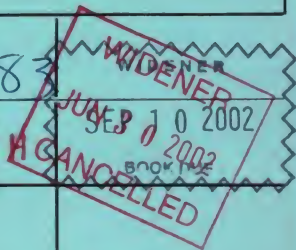


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